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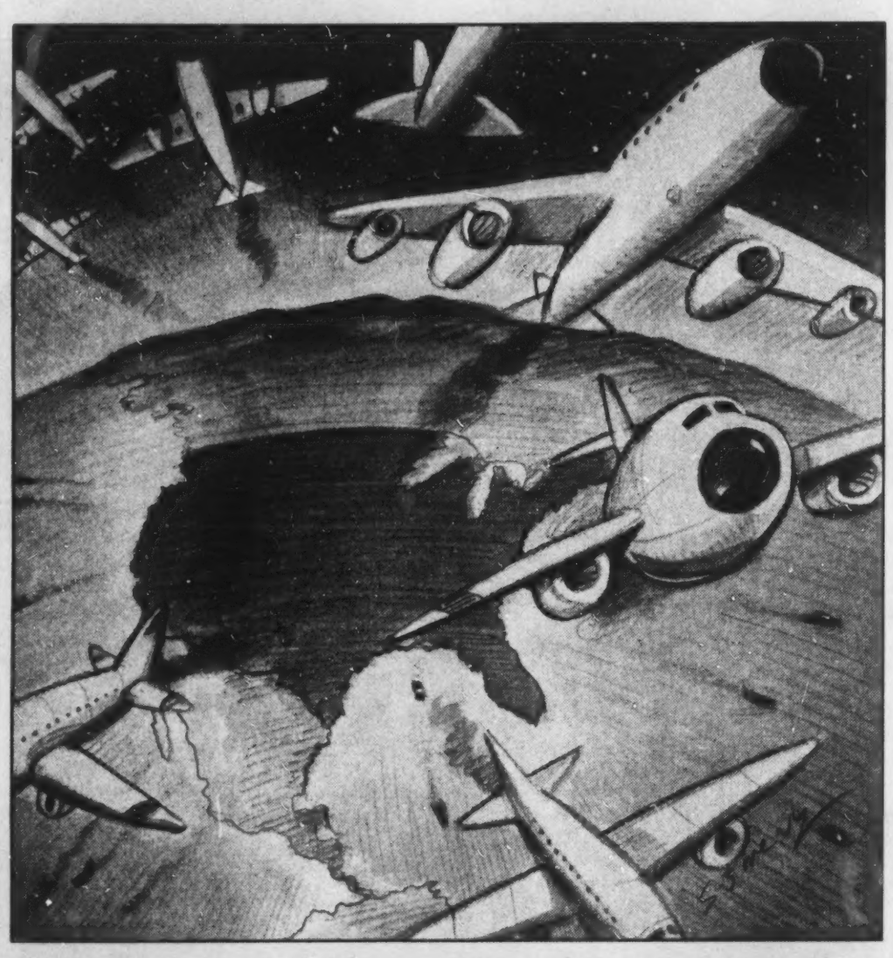

U.S. companies making inroads in export war

By Edward McKinley

NATIONAL REPORT — In hectic Manhattan, the recent opening of a small office went largely unnoticed.

And few passersby would guess this was another outpost in a brilliantly waged onslaught against America's trade deficit.

Ames Lawn & Garden Tool Co. of Parkersburg, W. Va., started the New York branch to handle sales overseas, thus demonstrating the kind of commitment to exporting that is balancing trade in the hardlines and forest products industries.

The recent announcement of Black & Decker's venture with a Japanese firm to distribute its power tools in that country (*NHCN*, Oct. 31) only highlights the success many suppliers in this industry have had exporting at a time when U.S. manufacturers in general have struggled with marketing their wares overseas.

(Continued on page 87)

Coast sale produces fifth largest hardlines distributor

By Gary S. Ruderman

ST. PAUL, Minn. — In one $110 million cash deal, American Hoist & Derrick Co. (Amhoist) became the parent company of a $680 million hardware distribution empire that stretches, appropriate to its name, from "coast to coast."

The merger late last month between the Denver-based franchised wholesaler CoastAmerica Corp. and Amhoist adds an estimated 1,600 Coast to Coast Stores and some 800 retail accounts serviced by Globe Distributors to the existing dealer base of 1,600 accounts of Amhoist's subsidiary, Farwell, Ozmun, Kirk & Co. (FOK), the South St. Paul, Minn.-based hardware wholesaler.

"Amhoist will be transformed from a diversified manufacturer and distributor into a focused hardlines wholesaler, . . . " said Amhoist president and ceo Robert Nassau in a prepared statement. With the merger, Amhoist claims to be the fifth largest non-member-owned hardlines wholesaler in the United States.

(Continued on page 86)

AMHOIST AT A GLANCE

Company	Estimated '88 Sales	DC's	Accounts	States of Distribution
Farwell, Ozmun, Kirk	$140 million	3	1,600	40
CoastAmerica	$425 million	3	1,000	38
Globe Dist.	$115 million	2	4,000	42
Amhoist Mfg	$160 million	—	—	—

Source: *NHCN* interviews/Amhoist *NHCN* chart

With the purchase of CoastAmerica, Amhoist adds an extensive distribution network, giving it nationwide reach.

Market baskets boost impulse buying

Channel has been successful in boosting impulse buys with its Market Basket program. It now plans to include higher priced items and more variety in the baskets. NHCN photo

By an NHCN staff editor

WHIPPANY, N.J. — One of the more innovative bargain merchandising concepts in the industry—Channel Home Centers' Market Basket Program—is changing to include higher priced products and more variety in its mix.

Merchandising

Channel's Market Basket, the brainchild of company president Lee Berger in 1981, continues as an attractive arrangement of dozens of bushel baskets packed with small, fast-moving, low-priced houseware and hardware products. A kind of signature department for the company, the Market Basket format—called

(Continued on page 88)

Lloyd's future still uncertain as chain remains on sellers block

By Elizabeth Brent

DANBURY, Conn. — The 35-unit Lloyd Home & Building Centers is still on the block.

Its parent, American Maize Products Co., is once again in the "process of evaluating several offers to purchase its building materials business," according to a press release issued by the corporation on Oct. 26.

Company officials at American Maize and Lloyd Home Centers declined to elaborate further.

Earlier in September, American Maize announced that it had sold Lloyd's for $25 million to an investment group generally acknowledged by sources familiar with the company to be led by Kidder Peabody & Co. The deal was subject to the negotiation and execution of a definitive purchase agreement.

Neither Kidder nor representatives from Lloyd nor American Maize would confirm that this deal had been struck.

NHCN was unable to surmise definitively what Kidder's plans for Lloyd

(Continued on page 87)

How bad is business? Dealers disagree on both causes and cures for soft sales

By Milford Prewitt

NATIONAL REPORT — Which of the following reasons is responsible for the pessimism and the lackluster performances some home center operations have been experiencing this year?

News Analysis

A) The drought;

B) The nationwide drop in housing starts;

C) The rise in interest rates;

D) The plummet of commodity prices;

E) Consumer uncertainty in an election year;

F) All of the above.

These multiple choice answers were provided by home improvement retailers who were searching to find causes for the softening in sales and profit their companies have sustained.

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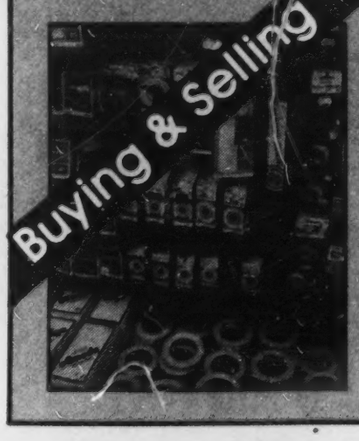

Dealers turn to paint sundries to boost thin margins 45
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NEWSBREAKS

SERVISTAR MAKES $30 MILLION PRIVATE PLACEMENT: The industry's third largest hardware co-op is in the final stages of negotiating the deal, expected to be consummated by the end of November. Pittsburgh National Corp. is the broker and two insurance companies—Travelers and Massachusetts Mutual—are purchasing the bonds, which will fund expansion of ServiStar's headquarters and distribution center and allow it to convert some short-term debt to long-term.

INDUSTRY UPDATE

Credit group rejects Wyeth offer

CHICAGO — A credit managers' group appears unable to accept The Wyeth Co.'s offer of $3.6 million to settle debts owed to hundreds of unsecured creditors, many of whom are vendors represented by the group.

The Chicago Midwest Credit Service Corp. said in late October that Wyeth's proposal of 15 cents on the dollar was "not a proposal we could recommend," according to Bernard Chaitman, Chicago director. That was the crux of a letter from the organization sent to creditors Oct. 24.

"It's inadequate for an out of court settlement," Chaitman told *NHCN*. Yet he said creditors were "fed up" with the Chapter 11 bankruptcy option that offers protection from creditors during reorganization. Creditors would rather have seen Wyeth, based in St. Joseph, Mo., offer 15 percent to 20 percent in cash in addition to a payout plan. (*NHCN*, Oct. 17). On Oct. 21, Wyeth sent out a separate ballot to creditors offering cash payouts to those owed less than $200 and 3 percent in cash by Dec. 31 to all others. The wholesaler's plan additionally calls for a 12 percent payout in 4 p cent increments over the next three years.

Wyeth officials confirmed that the wholesaler is on a cash-in-advance basis with most of its suppliers.

Fullerton opens, closes 2 units

MINNEAPOLIS — The Fullerton Lumber Co.'s store count remains at 27 after two recent openings and closings in Minnesota. The new lumberyard, with 2,500 square feet of retail space, opened in Dayton, Minn., on Oct. 1 and officials celebrated with a grand opening Oct. 28. The Dayton store replaced the company's 25-year-old unit, which closed in nearby Elk River, Minn., just northwest of the Twin Cities area.

Fullerton also closed its 35-year-old downtown Rochester, Minn., store and plans to reopen another yard with 10,000 square feet of retail space in anoth.. part of that city on Nov. 10. Rochester has grown in recent years and it did not pay to keep a lumber yard there with the increasing ost of land, according to a Fullerton spokesman.

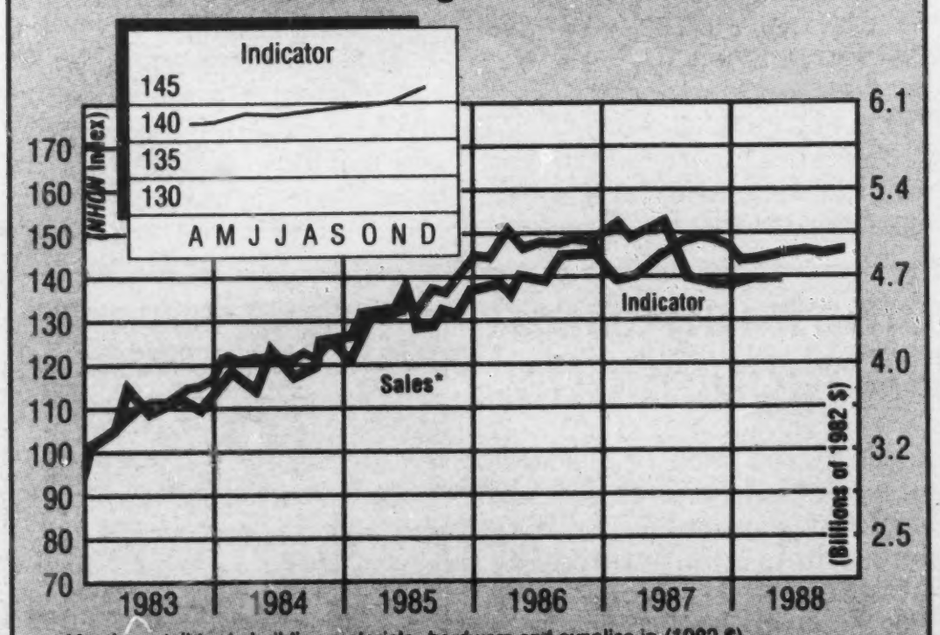
Like all of its units, the two new lumber yards will cater primarily to the professional contractor. In addition to Minnesota, Fullerton operates lumber yards in Montana, South Dakota, Nebraska, Iowa, Wisconsin and Illinois.

Stor opens in second location

TUSTIN, Calif. — Stor has opened its second location, a 150,000-square-foot, two-level facility in a new Orange County home improvement-related shopping center complex that will include a Home Depot scheduled to open next spring. Stor, which specializes in low-price, RTA furniture, was launched last fall by former home center industry executives. Its first location, also 150,000 square feet, is in City of Industry, near downtown Los Angeles.

Joining Stor in its Oct. 19 grand opening was 54,000-square-foot Home Express, a home-furnishings chain. They are the first tenants of the Market Place Regional Shopping Center located in southern Orange County.

NHCN Leading Sales Indicator



*—Monthly retail trade building materials, hardware and supplies in (1982 $).

Indicator—represents an estimate offuture building material retail sales (adjusted for inflation) relative to Jan. 1980, based on current levels of housing starts and resales, personal income, interest

The NHCN Leading Indicator is pointing to a small gain in building material sales in the fall due to improvements in resales and incomes. ***Business Watch*** *(page 73) highlights the improved prospects for South Atlantic states in 1988.*

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Subsidiaries not likely to be affected by Wickes acquisition

By Brad Altman

LOS ANGELES — Layoffs at Builders Emporium and Orchard Supply Hardware are not anticipated despite parent Wickes Cos.' expected acquisition by two New York investment companies.

"It is unlikely that this change in ownership of Wickes will have any direct effect on Builders Emporium," Jack Edwards, president of the Irvine, Calif.-based chain, said in a memo to employees.

Employees at San Jose, Calif.-based Orchard Supply Hardware were given similar assurances, sources told *NHCN*. However, reductions are planned for the 150-person Wickes corporate headquarters staff in Santa Monica, Calif., but not until early next year.

And according to documents filed with the Securities and Exchange Commission, the new owners of Wickes are contemplating the sale of a "significant amount of Wickes assets" that could include most or all of the corporation's retail operations, which also include Wickes Furniture and APS, an auto parts chain.

In a memo to headquarters personnel, Wickes chairman Sanford C. Sigoloff said "No decision had yet been made" about how many employees will lose their jobs when new owners—Blackstone Capital Partners L.P. and Wasserstein, Perella Partners L.P.—take over.

The two firms bid jointly to acquire Wickes in a two-step cash and stock transaction valued at $11.25 a share, for a total of $538.9 million.

The deal, unanimously approved by Wickes' eight directors, should be completed in early December. Wickes will stop trading on the New York Stock Exchange and become privately held.

The 58-year-old Sigoloff, who pulled Wickes out of bankruptcy three years ago, will end his six-year tenure as Wickes chairman, president and ceo. Sigoloff and other Wickes executives will receive golden parachute payments of approximately $20 million.

The "new" Wickes, which consists of retailing, automotive products, wallcoverings and fabrics businesses, will be called WCI Holdings and will be run by co-chairmen.

They are James R. Birle, 52, a Blackstone partner and ex-senior vp of General Electric, and Robert B. McKeon, 34, a partner in charge of merchant banking at Wasserstein Perella.

As *NHCN* went to press, Birle and McKeon were "visiting [Wickes] facilities to meet people and answer questions," a Wickes official said.

(Continued on page 86)

Sears seeks new headquarters as it plots marketing strategy

By an NHCN staff editor

CHICAGO — John Parsons, Sears' vp-home improvement, will now be charged with finding new headquarters for the nation's largest retailer.

The 57-year-old Parsons was named vp-special projects and will be concentrating on finding alternative locations for the 8,000 Sears employees who will be moving out of the 110-story, 3.7 million-square-foot Sears Towers, which the company is putting on the market.

He was unavailable for comment at press time.

The sale of the world's tallest building, from which Sears hopes to raise around $1 billion, is part of a major restructuring Sears announced last week to bolster its standing with its shareholders, who have complained for several years about the company's low return on shareholder equity, which rose only 4 percent in fiscal 1987.

The company's stock price of around $42 is considered far below the breakup value of the company. And through the first nine months of 1988 ending Sept. 30, the company's earnings per share were down 18 percent, to $2.35.

The company's announcement is also seen by analysts as Sears' attempt to protect itself from being taken over during a period of manic megabuyouts that include the $21 billion deal for RJR Nabisco.

Sears' restructuring will include reverting to everyday low prices in 825 retail stores,

(Continued on page 86)

Lacey departs Molson to head U.S. firm

By an NHCN staff editor

TORONTO — John Lacey has resigned as executive vp of Molson Cos.' retail merchandising division to become president of Northern Automotives Corp., the second largest automotives chain in sales in the U.S., but one that has been financially shakey because of its rapid expansion in recent years.

Lacey told the parent of Beaver Lumber he was leaving a few months ago, said one company source. He started with Northern on Oct. 31, but could not be reached for comment. His replacement at Molson hasn't been named.

Northern Automotives, based in Phoenix, Ariz., operates around 850 stores with estimated sales last year of $650 million. The company, which is controlled by a Northern Pacific subsidiary of The Trump Group, has been expanding since investors Eddie and Julius Trump took over the Schuck's auto chain as part of their acquisition of Pay 'N Save in 1984.

John Lacey has left Canada's Molson Cos. to become president of Northern Automotives in Phoenix, Ariz. NHCN photo

Over the past several years, the company has grown through acquisition of the Checker and Kragen chains (bought from Lucky Stores). This year it bought the Autoworks chain from Perry Drug, and the Crown Auto and U-Save Auto Parts organizations. It ranks second behind the Western Automotives chain in sales.

However, all this expansion has placed considerable pressure of Northern's cash flow; after going through several months of having trouble paying its bills, company officials

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Courtesy Home Centers' express van program delivers increased sales

By an NHCN staff editor

CHICAGO — When the bitter winter winds return to Chicago, a lot of homeowners will be looking out for Courtesy's Express Van.

"We're looking forward to winter time to help shut-ins with snow shovels and salt," explained Jim Ross, manager of one of the six Courtesy Home Centers in and around Chicago.

The Courtesy Express vans are the culmination of a five-month experiment by the chain, which is based in suburban Mount Prospect.

The standard size Chevy vans can carry up to 16-foot long loads, yet still maneuver small residential and even busy downtown streets easier than the regular enclosed lumber delivery trucks.

Fifteen percent of the store's sales involve delivery, and deliveries are up 10 percent over 1987, Ross said.

Ninety percent of a van's time is used in making deliveries of customer-purchased materials aiding Courtesy's 24-hour delivery guarantee, according to Ross.

Courtesy originally started with a 48-hour guaranteed delivery schedule. But two months after starting the van service, the guarantee was improved to 24 hours on in-stock merchandise. The vans free up the delivery trucks taking large loads like lumber, and permit Courtesy to make last minute deliveries.

Courtesy's Gerardo Arambula is one of the drivers who helps the Chicago area retail chain keep to a twenty-four-hour delivery policy for customer orders. NHCN photo

Ross cited an example from early in the test program when one customer purchased a pair of mirrored closet doors. The customer tried to tie them onto his car's roof but had second thoughts and returned inside with the doors.

"We offered to follow him home with the doors in the van. He was really surprised," Ross recalled. Courtesy charges a flat $15 for delivery within a five-mile area.

"Older people really like it" when the van pulls up, said Gerardo Arambula, 20, the Courtesy Express driver at the South Pulaski Avenue store. "They like the van service because they can't load up their own cars anymore. We help them inside with [purchases]."

Customers can even order merchandise over the phone for delivery, such as a snow shovel or ice salt. The possibility exists that a customer with a water heater problem could have it delivered and, with Courtesy's installed sales option, have it installed, too.

The other 10 percent of the van's road time is used to shift merchandise between stores and make last-minute pickups of advertised items from local vendors.

New Jersey's proposed lien law revisions spell trouble for lumber dealers

By an NHCN staff editor

TRENTON, N.J. — A series of legislative proposals that seek to rewrite New Jersey's lien laws and create new legislation for contractor home repairs are troubling lumber dealers in the state.

Two proposals in the state legislature here would change the scope of the state's lien laws by setting monetary limits on the amount of indebtedness a debtor could sustain before creditors or suppliers could file a lien. An unrelated proposal would require contractors to put in writing the scope and duration of their work at a person's home.

The New Jersey Lumber & Building Material Dealers Association (NJLBMDA) are opposed to the measures and are seeking discussions with the bills' sponsors.

According to Phoenix Smith, legislative director of the NJLBMDA, one of the points in dispute with the proposal, which is supported by the International Brotherhood of Electrical Workers, is that it allows contractors to be paid in addition to suppliers when a lien is enforced.

Moreover, the legislation would permit a lien only when the amount owed exceeds $5,000 for materials furnished or delivered. Smith said the Home Repair Contract Amendments bill is disturbing to lumber dealers with repair and remodeling operations.

What is most disturbing about the bill, Smith explained, is that the proposal, if passed, permits a homeowner to pay $400, or 5 percent—whichever is less—as a down payment of the total cash price of a project to a contractor. Smith thought this amount to be paltry and inadequate to cover the sizable initial outlay of expenses contractors make for materials, shipping, labor and other costs.

She gave an example of a $25,000 room addition. Under the new law, a homeowner would have to pay $1,250, an amount that would not cover a contractor's start-up costs.

Smith said the Home Repair Contract bill grew out of political backlash to a series of news reports about homeowners being victimized by fraudulent and unskilled contractors in the New York metropolitan area.

She said one piece of evidence used to support the bill was a report that 2,500 New Jersey homeowners have filed complaints with the Division of Consumer Affairs against contractors who had worked on their homes.

Other features of the Home Repair Contract bill include a requirement that the contractor put in writing the start and completion dates of the project, that any warranties or guaranties also be written into the contract, and expands to seven days from three the amount of time a homeowner has to cancel the contract.

NAW updates its study on the future of wholesaling

By an NHCN staff editor

SEATTLE — By 1995, nearly a quarter of all wholesalers will either go out of business or be absorbed by larger companies through consolidation.

Remaining distributors will dedicate a much bigger chunk of their "technology" budget to sales and marketing instead of administration and accounting costs.

Over the next seven years, margins will continue to shrink for wholesalers, and the average distributor will deal with 20 percent fewer vendors, even though it typically will be stocking 25 percent more items and 40 percent more product lines.

And overall, the wholesale-distribution industry's sales will continue to grow at a faster percentage rate than the projected Gross National Product.

These were but some of the expectations that were given to wholesalers and manufacturers attending last month's National Hardware Convention here by Patrick Dolan, project director for Arthur Anderson & Co.

The accounting firm has just completed updating its comprehensive 1982 study on wholesaling for the National Association of Wholesalers' Distribution Research & Education Foundation (DREF).

The current 120-page study, known as "Facing the

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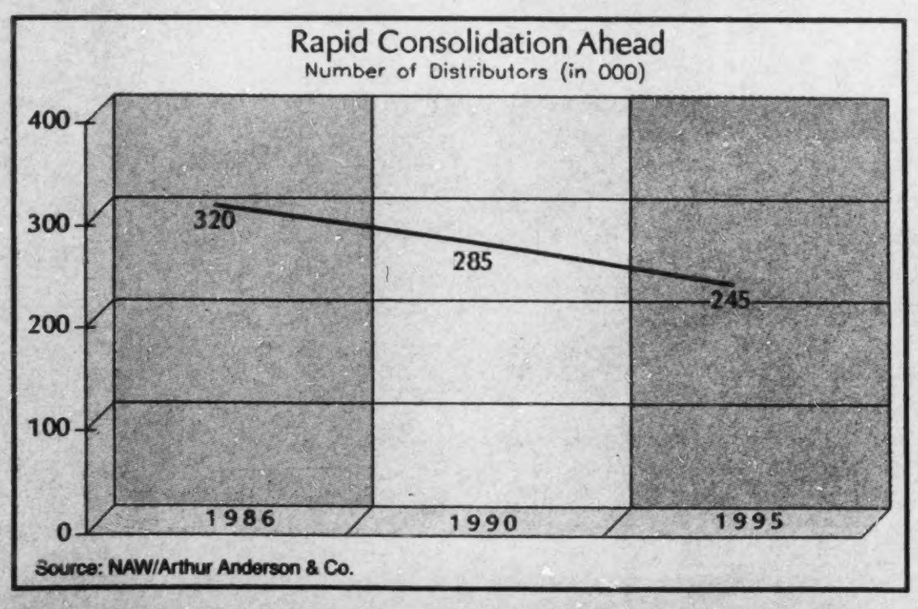

The chart shows the expected decline in the number of distributors as predicted in the NAW's updated study on wholesaling.

Lee Lumber fills a Chicago void

By an NHCN staff editor

CHICAGO — Lee Lumber plans to fill a void on Chicago's north side left by four different retailers that have closed stores within a one-mile radius.

Lee is a 37-year-old single-unit yard on the city's south side that depends primarily on remodelers and commercial accounts for its $15 million in sales. The store was literally out of room as sales continued to grow. Traffic jams developed in the tunnel-like warehouse between customer trucks and Lee's outgoing delivery trucks.

And in the last several years, president Rick Baumgarten saw two-thirds of Lee's deliveries going to the city's fast-growing and competitive north side.

Last month, Lee opened its second unit, acquired in August, on the city's north side in an area that has been without lumber and building materials retailers for the last year.

Joseph Lumber closed all stores when the family operation ran out of interested heirs; the single-unit Preskill Lumber burned down and was never rebuilt; the multiunit Plywood Minnesota of Illinois was liquidated in bankruptcy, and the small White Eagle Lumber closed.

Baumgarten figured the four defunct operations had sales totaling $18 million. "Now we come in and we'll be all those places combined in one location and more so. We're filling a void," he said.

Lee, which acquired the 53,000-square-foot warehouse from Plywood Minnesota of Illinois, will operate a 12,000-square-foot retail store with a higher DIY appeal and wider offering than the original south side unit:

- Lee will cater to professionals like architects and builders, offering an in-store conference room and resource center complete with a computer-aided design (CADsystem. Because it is the exclusive distributor for Marvin Windows in Chicago, the retail space and a display room will feature the line;
- The store hopes to establish a niche with home automation and home security products, including a referred installer for higher end home security systems;
- While price is a consideration at the south side unit, particularly in faucets, the north side unit will concentrate more on the upscale renovation needs of the area. It expects to lower the contractor-DIY sales ratio of the south side (80 percent contractor) to 70 percent.

Baumgarten, in opening this unit, had to make some budgetary choices, though. For example, he decided it would be better to spend dollars bringing in higher end merchandise to be able to go against competition such as Handy Andy. But that meant the store, with its 30-foot-high ceiling, is going to have to do without air conditioning and use less expensive fixtures.

Rick Baumgarten, president of Lee Lumber. NHCN photo

Of Handy Andy's operation, Baumgarten said, "There's enough business for both of us." Unlike the "one price for all" policy followed by Handy Andy, though, Lee will offer negotiated discounts to contractors and large accounts such as McCormick Place Exposition Center.

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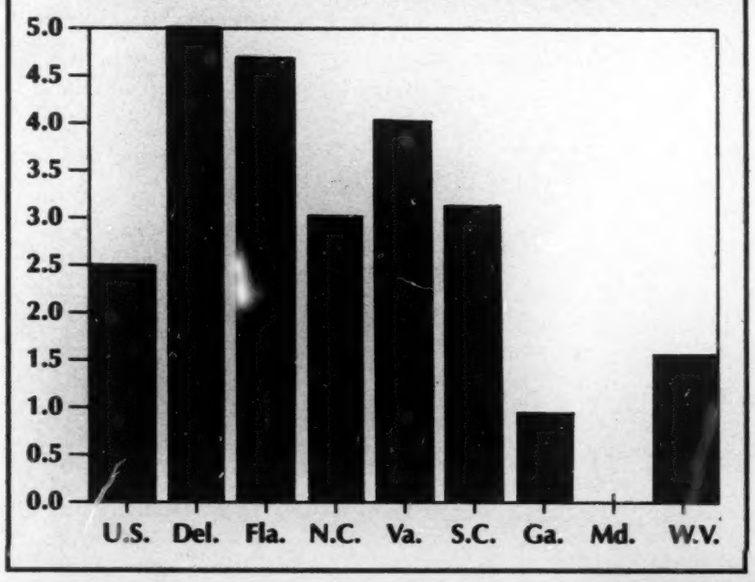
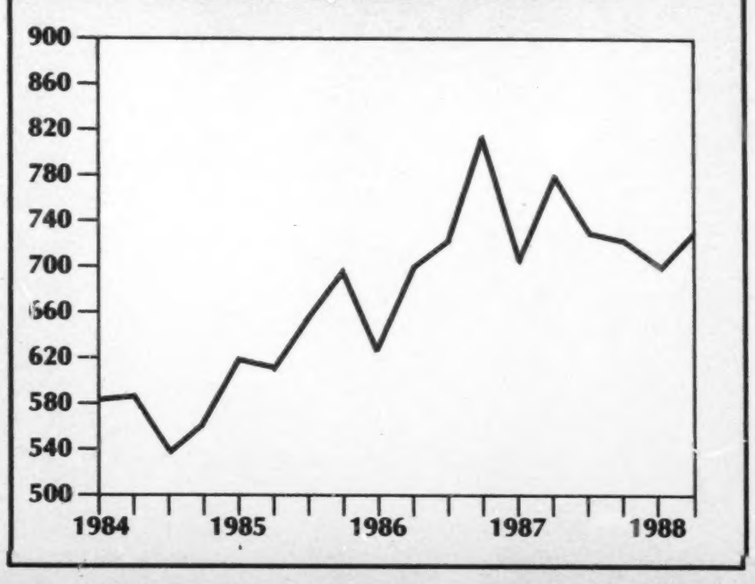
Business Watch

Section 4

Stronger gains in employment . . .



. . . and a recovery in resales . . .



. . . will push South Atlantic sales higher.

South Atlantic area economy to outpace the national average

By Richard E. Mount
Special to NHCN

Building material retail sales in the South Atlantic states, expected to increase 9.1 percent in 1988, will exceed the projected national gain of 7.6 percent.

Adjusted for inflation, the advance in unit volume for the region will be 7 percent. This gain contrasts with the 1.7 percent decline experienced in 1987 when problems in the resale market harmed building material demand.

The region's economy is now growing faster than the national average. Total employment in the South Atlantic is up 2.9 percent versus 2.5 percent for the U.S. Specific strengths lie in government, finance and trade.

Richard E. Mount

The region's financial sector was not harmed as much as the national average. Strength in the regional economy, in general, and finance, in particular, has boosted the need for business services.

Delaware is the strongest state in the region—employment is up 5 percent from a year ago and unemployment is a low 3.1 percent as financial and business services are growing rapidly in the Wilmington area. Florida is the second strongest state in the region, with employment up 4.7 percent.

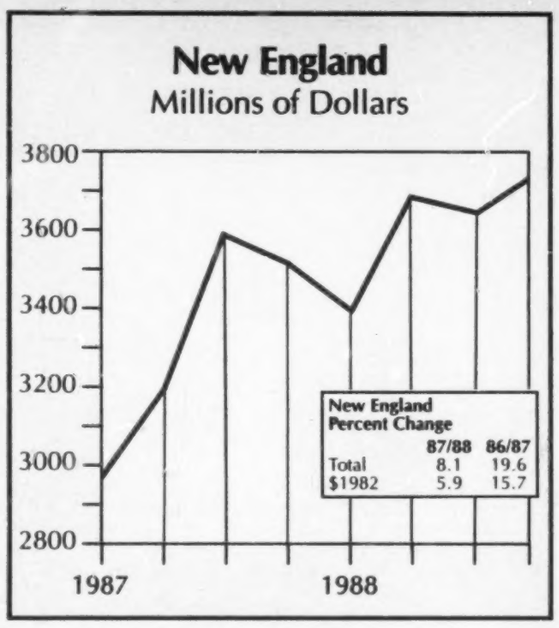
North Carolina is the third strongest state. Employment is up only 3 percent, but the unemployment rate has fallen to 3.2 percent and retail sales lead last year by 11.5 percent.

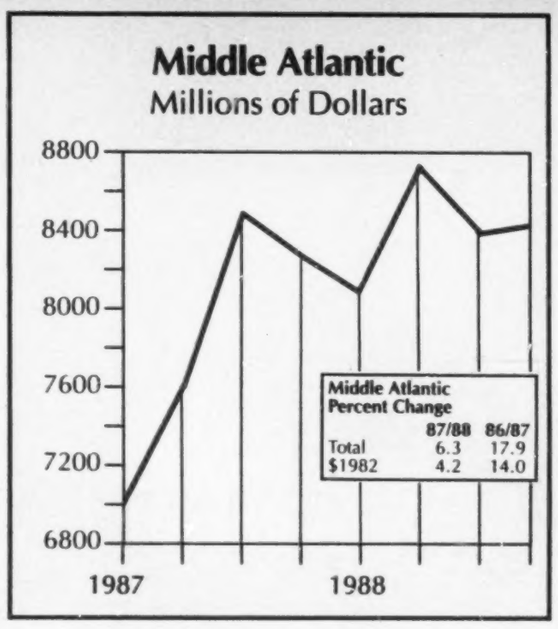
Virginia shows average growth. Employment rose 4.1 percent from last year, but retail sales are up only 5.2 percent and there is weakness in manufacturing. South Carolina is experiencing a rise in employment of 3.2 percent with soft gains in manufacturing. The District of Columbia, Georgia, Maryland, and West Virginia are the weak states in the region.

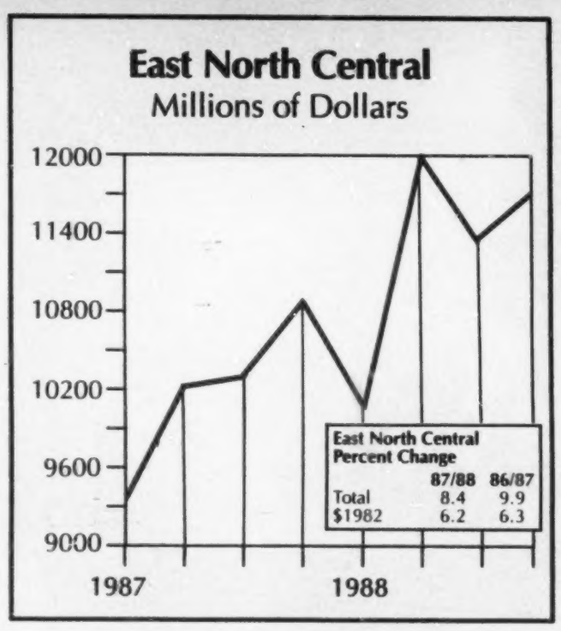
West Virginia is still recovering from the fall in the energy markets. The unemployment rate stands at 9 percent, the highest in the region.

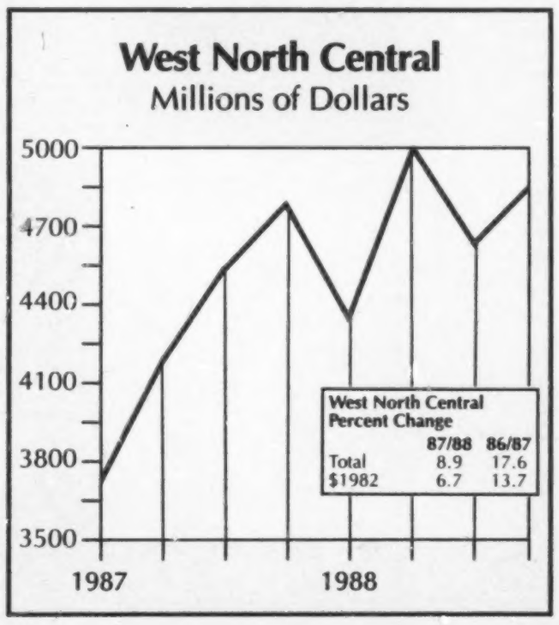
Richard Mount is president and chief economist with Mount Economic Consulting.

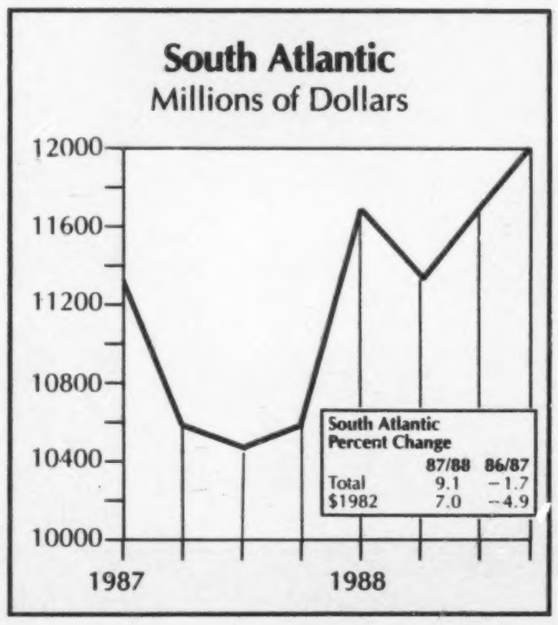
Regional Outlook: Building Material Sales

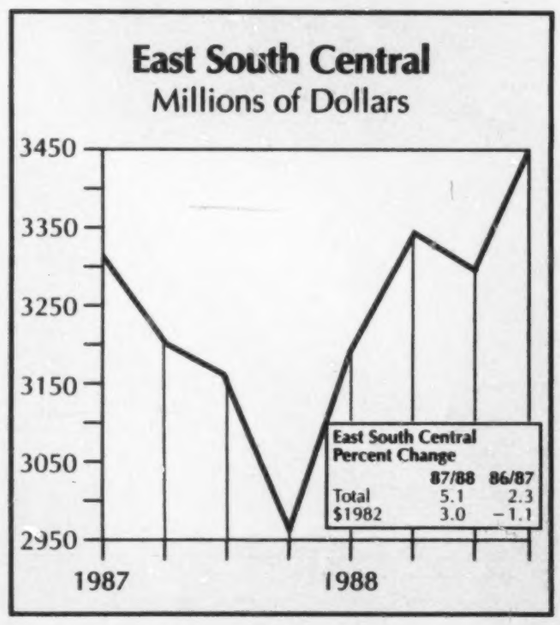


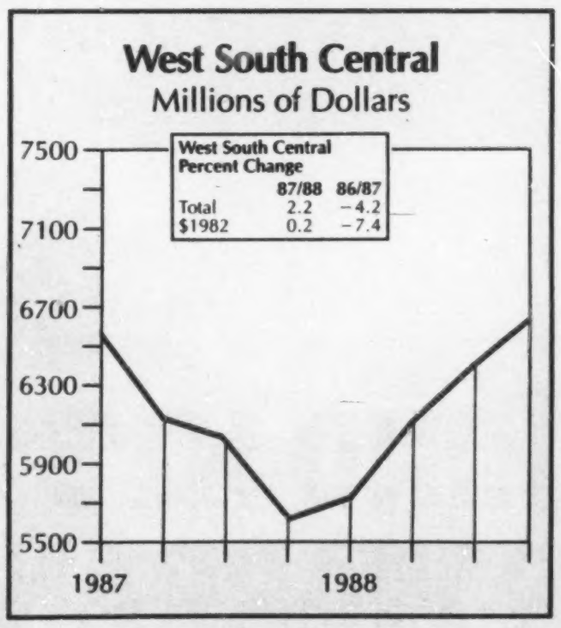


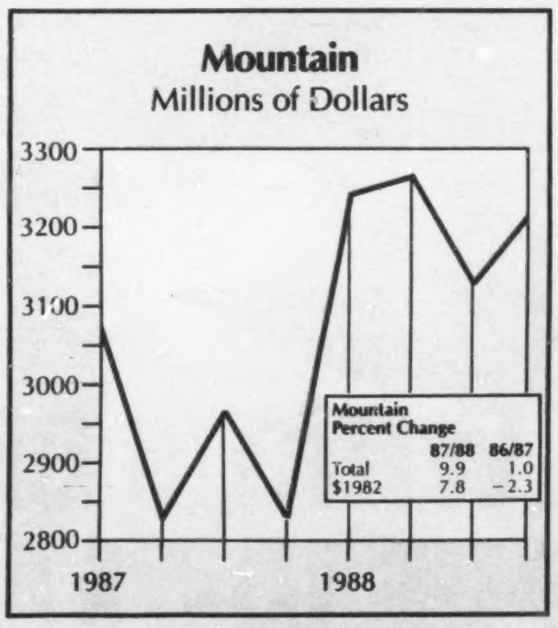


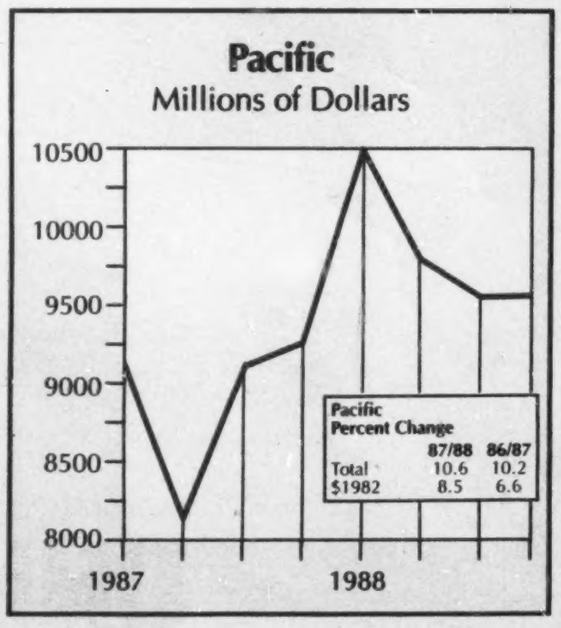












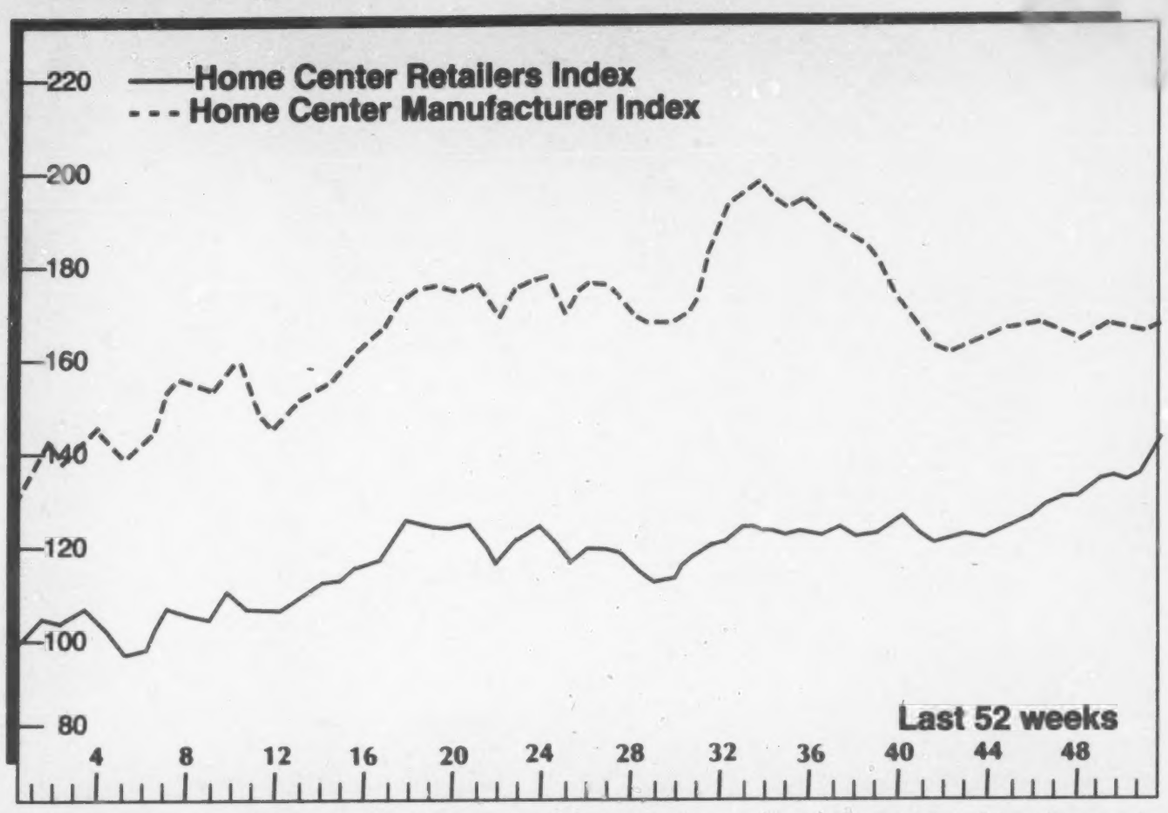
Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales. The *NHCN* Leading Indicator runs every issue on page 5.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart

Business Watch

stocks



The home center retailer and manufacturer stock market indices are a measurement of the changes in aggregate market value compared to their value on October 28, 1988, which has been set to equal 100 on the index. Aggregate market value is the sum of each stock's price multiplied by its number of shares outstanding, adjusted to eliminate the effects of additions or deletions to the *NHCN* stock list.

Stocks remain on an even keel

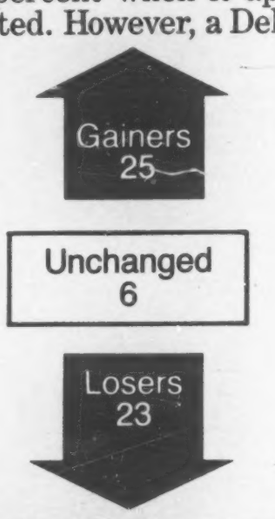
The home improvement industry fell about evenly between winners and losers on the Stock Market for the two weeks ended Oct. 28, with 25 companies showing gains in their stock prices, 23 losses and six remaining the same.

Among retailers, investors holding Wickes Cos.'s stock were the beneficiaries of two investment firms making an $11.25 per share bid for the Santa Monica, Calif.-based conglomerate, whose stock price jumped 28.8 percent to $9.50. More modest gains were achieved by Wolohan Lumber (7.5 percent to $16.13 per share) and Lowe's Cos. (6.8 percent to $23.63).

Strober Organization saw its stock price decline in this period by 7.9 percent, and Interco—the parent of Central Hardware—fell 4.7 percent when it appeared the hostile takeover bid for that company was thwarted. However, a Delaware court on Nov. 1 invalidated Interco's poison pill, which appears to lead the way to the Rales brothers' investor group taking control of Interco.

The two-week period was not kind to manufacturers, however, with very few gainers. Clairson International, the maker of Closet Maid organizers, saw its price rise 11.6 percent to $6. And Nortek, the conglomerate that owns Dixieline Lumber and Universal-Rundle, increased in price by 11.1 percent to $7.50.

Manville, which appears ready to break out of its Chapter 11 bankruptcy protection, declined by 11 percent to $2 per share, and the DeSoto, whose management is reportedly reacquiring its shares, fell by 13.4 percent to $38.75.



National Home Center News

HOME CENTER MARKET SUMMARY

Company and Market	Stock Market: Price: 2-Weeks Ended 10-28-88	2-Weeks Change: Amt.	2-Weeks Change: Pct.	2-Week Range: High	2-Week Range: Low	52-Week Range: High	52-Week Range: Low	Volume: 2-Weeks Shares Traded: Total	Volume: 2-Weeks Shares Traded: % Out	Volume: 12-Week Avg. Vol. As % Out	Volume: Volume Trend Change	Financial Update: P/E Ratio	Indicated Divd. Rate: Amt.	Indicated Divd. Rate: Yld.	Latest Report: New Report	Latest Report: Period	Latest Report: Date Ended	Latest Quarter: Revenue: Amt.	Latest Quarter: Revenue: Chg.	Latest Quarter: Net Income: Amt.	Latest Quarter: Net Income: Chg.	Latest Quarter: E.P.S.: Amt.	Latest Quarter: E.P.S.: Chg.	Year-to-Date: Revenue: Amt.	Year-to-Date: Revenue: Chg.	Year-to-Date: Net Income: Amt.	Year-to-Date: Net Income: Chg.	Year-to-Date: E.P.S.: Amt.	Year-to-Date: E.P.S.: Chg.
-	$	$	%	$	$	$	$	(100)	%	%	%	-	$	%	-	-	-	$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Retailers																													
Gen Bldg Prods ..... M	4.50	- .25	- 5.3	4.75	4.25	6.50	4.00	455	1.13	.38	197.4	26.5	.00	.0	NEW	9 mos.	08-88	21.9	11.2	.1	- 87.5	.02	- 89.5	56.5	14.1	.3	- 83.3	.07	- 85.4
Grossman's Inc ..... M	5.75	.00	.0	5.88	5.50	8.38	4.13	8,245	3.16	2.03	55.7	12.0	.00	.0	NEW	9 mos.	09-88	321.9	1.6	10.0	4.2	.38	- 13.6	855.8	4.4	12.6	11.5	.48	- 9.4
Hechinger A ..... M	18.13	1.00	5.8	18.13	17.25	20.25	14.25	7,430	3.63	2.54	42.9	NA	.16	.9	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B ..... M	18.00	.75	4.3	18.25	17.00	20.00	15.50	373	.24	.35	- 31.4	15.1	.06	.3	.....	6 mos.	07-88	284.1	39.4	15.1	23.8	.40	5.3	522.9	41.9	23.9	20.7	.64	3.2
Home Depot ..... N	28.00	- .75	- 2.6	30.00	27.63	30.00	15.50	8,438	1.70	1.48	14.9	21.4	.12	.4	.....	6 mos.	07-88	518.2	35.9	21.6	38.5	.42	27.3	964.8	34.9	40.8	43.7	.80	29.0
INTERCO Inc ..... N	66.63	- 3.25	- 4.7	71.75	64.50	73.63	29.50	41,091	11.36	7.50	51.5	18.0	1.72	2.6	.....	6 mos.	08-88	491.1	- 41.7	34.8	- 9.4	.93	3.3	1269.2	- 21.9	65.5	.9	1.73	13.8
K mart Cp ..... N	37.50	.25	.7	38.75	36.50	39.75	24.38	65,005	3.19	1.60	99.4	10.6	1.32	3.5	.....	6 mos.	07-88	6684.1	6.0	162.8	12.0	.81	14.1	12525.9	5.3	283.6	8.7	1.41	10.2
Lowe's Cos ..... N	23.63	1.50	6.8	24.38	22.00	24.38	15.25	5,447	1.39	.58	137.9	13.7	.48	2.0	.....	6 mos.	07-88	704.6	- 2.8	26.4	15.8	.70	22.8	1295.2	.1	41.5	16.2	1.09	21.1
NHD Stores ..... M	7.00	- .50	- 6.7	7.50	7.00	8.00	3.75	125	.92	1.17	- 21.4	10.4	.00	.0	.....	6 mos.	07-88	15.2	11.8	.6	20.0	.45	40.6	25.0	11.6	.5	.0	.39	11.4
Natl Lumber ..... M	2.38	- .13	- 5.0	2.63	2.38	4.00	2.25	81	.14	.20	- 30.0	NE	.00	.0	.....	*	07-88	NC	NC	NC	NC	NC	NC	79.6	NC	- 1.0	NC	- .17	NC
Payless Cash ..... N	26.88	.00	.0	0.00	23.97	27.50	9.63	0	.00	.06	-100.0	32.4	.16	.6	.....	6 mos.	05-88	537.9	10.0	17.2	6.2	.51	8.5	895.6	9.1	19.8	.5	.59	3.5
Scotty's Inc ..... N	12.63	.13	1.0	12.88	12.38	15.25	11.88	1,384	.95	.40	137.5	16.6	.52	4.1	.....	fiscal	06-88	156.3	14.6	2.8	- 15.2	.20	- 13.0	550.8	6.9	11.1	7.8	.76	7.0
Sears, Roebuck ..... N	43.63	2.63	6.4	46.00	39.38	46.00	29.75	179,280	4.74	1.14	315.8	10.0	2.00	4.6	NEW	9 mos.	09-88	13350.0	9.5	344.2	- 15.8	1.41	30.6	38490.0	11.9	893.1	- 17.9	2.86	.0
Std Brd Pnt ..... N	14.00	- .50	- 3.4	15.50	13.63	22.50	10.63	2,860	5.44	2.64	106.1	NE	.00	.0	.....	6 mos.	07-88	81.8	3.7	1.5	- 64.3	.20	- 60.8	155.6	- 1.4	2.6	- 69.4	.33	- 68.0
Strober Organiz ..... M	8.75	- .75	- 7.9	10.00	8.75	12.25	6.25	274	.45	.26	73.1	11.8	.00	.0	.....	6 mos.	06-88	38.4	46.0	1.4	- 12.5	.24	- 7.7	66.5	39.7	1.8	- 30.8	.30	- 30.2
Wickes Cos ..... N	9.50	2.13	28.8	9.88	7.38	14.13	6.50	147,740	30.93	10.91	183.5	6.4	.00	.0	.....	6 mos.	07-88	937.9	- 35.5	- 12.4	- 100.0	- .09	- 100.0	1866.0	- 37.7	- 15.0	- 100.0	.08	- 94.2
Wolohan Lumber ..... M	16.13	1.13	7.5	16.50	15.25	17.13	8.88	2,189	3.75	1.16	223.3	8.5	.24	1.5	NEW	9 mos.	09-88	74.6	12.7	3.8	40.7	.64	39.1	193.5	12.6	8.4	33.3	1.43	33.6
Zayre Corp ..... N	25.75	.13	.5	26.75	24.38	27.13	13.50	50,611	9.02	7.55	19.5	NM	.40	1.6	.....	6 mos.	07-88	1547.0	10.3	- 21.9	- 100.0	- .39	- 100.0	2997.9	11.1	- 17.4	- 100.0	- .31	- 100.0
Wholesalers																													
Hughes Supply ..... N	17.38	- .13	- .7	17.50	17.00	19.44	14.00	584	1.20	.47	155.3	8.9	.32	1.8	.....	6 mos.	07-88	128.1	17.4	2.5	13.6	.52	15.6	244.6	19.4	4.6	9.5	.95	13.1
Moore Handley ..... M	4.00	.00	.0	4.00	4.00	5.50	3.75	16	.07	.21	- 66.7	NE	.20	5.0	.....	6 mos.	06-88	27.6	17.9	.1	- 75.0	.04	- 71.4	53.4	13.6	.0	- 100.0	.02	- 92.9
Manufacturers																													
Am Consum Prods ..... M	9.75	- 1.00	- 9.3	10.25	9.75	12.50	7.19	47	.18	.29	- 37.9	13.5	.00	.0	.....	6 mos.	06-88	18.6	77.1	.5	25.0	.18	12.5	36.1	83.2	.9	28.6	.35	29.6
Am Woodmark ..... M	9.75	- .13	- 1.3	9.88	9.63	9.88	5.91	91	.12	.47	- 74.5	12.7	.00a	.0	.....	3 mos.	07-88	36.9	16.0	1.8	38.5	.24	41.2	36.9	16.0	1.8	38.5	.24	41.2
Armstrng Wrld ..... N	37.00	1.50	4.2	39.38	34.75	44.00	24.00	15,979	3.46	1.80	92.2	10.6	1.00	2.7	.....	6 mos.	06-88	671.1	12.5	46.2	12.4	1.00	14.9	1300.6	14.3	85.2	16.7	1.84	19.5
Black & Decker ..... N	22.88	1.88	8.9	23.13	20.75	24.75	14.38	25,087	4.25	1.12	279.5	15.1	.40	1.7	.....	9 mos.	06-88	539.3	16.0	21.4	137.8	.36	140.0	1689.4	17.9	73.7	81.5	1.25	81.2
Boise Cascade ..... N	42.25	- .75	- 1.7	44.25	42.00	50.00	34.19	17,391	3.86	1.19	224.4	7.2	1.40	3.3	NEW	9 mos.	09-88	1036.3	3.9	71.9	42.7	1.58	54.9	3059.8	7.5	212.7	69.1	4.64	85.6
Catalina Lgtg ..... A	9.00	- 1.00	- 10.0	9.88	8.50	10.75	3.00	1,090	3.52	1.58	122.8	NA	.00	.0	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Champ Intl ..... N	32.38	1.25	4.0	35.00	30.63	38.13	25.38	32,244	3.39	1.61	110.6	7.4	1.00	3.1	NEW	9 mos.	09-88	1285.7	7.2	122.4	38.0	1.29	37.2	3814.1	10.3	336.6	12.2	3.54	11.7
Clairson Intl ..... M	6.00	.63	11.6	6.50	5.25	8.50	4.25	1,164	2.29	1.36	68.4	NE	.00	.0	.....	9 mos.	06-88	27.2	46.2	- 2.1	- 100.0	- .43	- 100.0	78.4	45.7	- 4.3	- 100.0	- .85	- 100.0
Coleman Co ..... N	39.75	- .63	- 1.5	41.50	39.63	41.50	28.25	1,549	2.20	1.18	86.4	11.4	1.20	3.0	NEW	9 mos.	09-88	159.0	8.4	3.9	30.0	.55	34.1	516.9	11.0	22.7	31.2	3.23	31.8
Cooper Indus ..... N	53.50	.88	1.7	53.88	52.13	62.75	45.75	8,090	1.60	1.03	55.3	14.0	1.80	3.4	.....	6 mos.	06-88	1049.2	17.2	60.4	33.0	1.18	29.7	1974.7	16.5	92.6	26.8	1.82	23.8
DeSoto Inc ..... N	38.75	- 6.00	- 13.4	44.75	36.75	46.00	21.00	7,509	18.81	5.60	235.9	52.4	1.40	3.6	NEW	9 mos.	09-88	98.0	- 1.2	- 2.6	- 100.0	- .66	- 100.0	317.5	3.0	3.3	- 69.7	.82	- 70.1
Emhart Corp ..... N	21.25	.75	3.7	21.63	20.25	24.00	17.25	14,978	2.42	.84	188.*	11.1	.80	3.8	NEW	9 mos.	09-88	643.5	15.3	26.9	15.5	.43	16.2	2039.3	13.9	93.1	16.2	1.50	17.2
Georgia Pacific ..... N	35.88	- .13	- .3	36.63	35.50	42.88	29.25	28,011	2.76	1.14	142.1	8.0	1.20	3.3	.....	9 mos.	09-88	2409.0	- .6	114.0	- 3.4	1.19	8.2	6942.0	8.9	338.0	- 2.3	3.41	7.9
Insilco Corp ..... N	31.50	.00	.0	0.00	23.97	31.63	14.00	0	.00	4.10	-100.0	NE	1.00	3.2	.....	6 mos.	06-88	196.4	13.6	11.7	10.4	.55	10.0	382.6	9.8	21.7	17.9	1.02	17.2
La Pacific ..... N	29.00	.25	.9	30.00	28.75	37.50	24.50	8,891	2.30	1.09	111.0	7.2	.92	3.2	NEW	9 mos.	09-88	462.9	- 13.0	36.7	- 13.8	.96	- 13.5	1351.1	- 6.4	122.4	30.6	3.19	30.2
Macmillan Bloedel ..... M	15.13	.63	4.3	15.13	14.63	18.50	12.88	5,631	.55	.25	120.0	NA	1.05	NA	.....	6 mos.	06-88	851.5	5.5	94.5	26.7	.89	30.9	1648.0	8.0	186.1	37.9	1.74	42.6
Manville Cp ..... N	2.00	- .25	- 11.1	2.50	2.00	3.50	1.75	28,189	11.74	6.23	88.4	.4	.00	.0	NEW	9 mos.	09-88	584.3	6.7	53.5	10.1	1.96	11.4	1647.5	6.9	122.3	- 7.8	4.31	- 9.1
Masco Corp ..... N	26.75	- .38	- 1.4	28.00	26.00	30.38	19.00	12,966	.98	.91	7.7	13.9	.48	1.8	.....	6 mos.	06-88	659.0	34.8	85.5	29.9	.60	20.0	1215.0	29.4	165.1	36.1	1.20	30.4
Mor-Flo Inds ..... M	5.25	.00	.0	5.75	5.25	7.75	4.50	280	1.11	.48	131.3	NE	.01	.2	.....	6 mos.	06-88	54.1	8.6	- 3.5	- 100.0	(1.38)	- 100.0	109.5	4.0	- 3.9	- 100.0	(1.56)	- 100.0
Newell Co ..... N	27.63	2.25	8.9	29.63	25.00	29.63	10.56	8,635	3.71	.78	375.6	14.7	.60b	2.2	NEW	9 mos.	09-88	264.5	20.9	18.9	68.8	.70	89.2	734.5	77.1	40.2	68.9	1.40	55.6
Nortek Inc ..... N	7.50	.75	11.1	8.25	6.75	10.38	5.50	8,249	5.42	1.22	344.3	NE	.10	1.3	.....	6 mos.	06-88	368.7	10.7	9.4	370.0	.64	392.3	706.0	13.2	11.5	2.7	.78	11.4
Owens Corn ..... N	22.38	- .63	- 2.7	23.25	21.88	26.50	12.00	9,155	2.29	1.14	100.9	4.2	.00	.0	NEW	9 mos.	09-88	760.0	NC	59.0	NC	1.41	NC	2127.0	NC	139.0	NC	3.34	NC
Ply-Gem ..... A	12.25	.13	1.0	12.75	12.00	15.63	9.13	2,266	2.11	.88	139.8	13.5	.12	1.0	.....	6 mos.	06-88	106.1	29.2	6.3	65.8	.56	75.0	195.5	28.0	9.7	36.6	.86	41.0
Pope & Talbot ..... N	19.50	3.25	20.0	20.50	16.13	23.00	12.00	6,510	5.52	1.08	411.1	7.7	.50	2.6	NEW	9 mos.	09-88	123.3	8.6	8.5	21.4	.71	20.3	361.0	12.8	23.3	11.5	1.95	12.1
Potlatch Cp ..... N	30.50	.13	.4	31.00	30.00	33.38	22.75	3,435	1.28	.47	172.3	8.2	1.04	3.4	NEW	9 mos.	09-88	273.7	10.9	28.3	25.2	1.02	25.9	798.7	8.0	79.3	26.5	2.85	27.2
PPG Inds ..... N	41.50	- 2.13	- 4.9	44.13	41.25	46.88	29.00	18,388	1.68	.72	133.3	10.0	1.36	3.3	NEW	9 mos.	09-88	1361.1	8.0	112.9	23.7	1.03	35.5	4185.0	8.6	365.3	30.2	3.32	41.9
Rep Gypsum ..... N	5.25	- .38	- 6.7	5.50	5.13	6.88	4.63	422	.42	.25	68.0	26.3	.36	6.9	.....	fiscal	06-88	12.8	- 5.9	.7	- 22.2	.07	- 12.5	52.1	- 8.3	2.0	- 53.5	.20	- 51.2
Sherwin-Wms ..... N	26.75	- 1.00	- 3.6	28.38	26.75	31.63	20.13	7,975	1.82	1.16	56.9	11.5	.64	2.4	NEW	9 mos.	09-88	547.0	6.8	37.8	1.9	.86	3.6	1501.0	8.4	82.4	8.0	1.87	10.7
Stanley Works ..... N	27.38	1.25	4.8	27.50	26.13	31.75	21.75	10,590	2.47	.98	152.0	11.9	.96	3.5	NEW	9 mos.	09-88	470.0	3.5	25.7	23.0	.59	22.9	1422.8	9.1	73.1	21.0	1.69	21.6
Thos Inds ..... N	20.13	- 2.50	- 11.0	23.00	20.00	24.50	13.81	1,867	1.79	.63	184.1	11.3	.72	3.6	NEW	9 mos.	09-88	89.0	8.0	4.1	10.8	.39	8.3	262.0	8.5	13.8	12.2	1.31	12.0
Union Camp ..... N	33.38	.00	.0	35.50	33.13	38.38	31.13	17,034	2.48	1.04	138.5	8.5	1.24	3.7	NEW	9 mos.	09-88	669.8	14.8	75.1	32.9	1.09	41.6	1975.3	16.3	216.7	45.9	3.11	54.0
USG ..... N	6.38	- .75	- 10.5	7.25	6.38	7.75	6.38	13,720	2.64	2.80	- 5.7	3.3	.00	.0	NEW	9 mos.	09-88	586.6	- 22.1	2.6	- 94.1	.04	- 95.3	1708.0	- 21.4	82.9	- 55.7	1.59	- 56.2
Waxman Ind ..... M	9.25	- .13	- 1.3	10.13	9.25	12.25	4.84	2,303	2.51	1.28	96.1	12.3	.10	1.1	NEW	3 mos.	09-88	50.0	43.7	1.6	23.1	.18	28.6	50.0	43.7	1.6	23.1	.18	28.6
Weyerhaeuser ..... N	24.50	.50	2.1	25.38	24.00	29.50	19.94	42,738	2.10	.96	118.8	9.6	1.20	4.9	NEW	9 mos.	09-88	1960.0	7.7	144.8	14.8	.70	18.6	5910.1	13.5	409.6	29.1	1.95	29.1

All Data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share
Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market
*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

U.S. companies finding some success in export war

(Continued from page 1)

With the help of the weakened dollar, American suppliers have closed a $2 billion annual trade gap for wood building materials by increasing this year's exports some 44 percent, according to the U.S. Commerce Department.

In hand tools, exports exceeded $200 million for the first eight months of this year, an increase of nearly 14 percent over the comparable period a year ago and a significant reduction in the category's trade deficit, Commerce Department officials said.

Moreover, overseas markets could continue to expand for American companies, industry sources said, compensating for flat domestic sales.

With Americans expected to build fewer homes in the 1990s than in the recent past, a number of building products companies are in hot pursuit of what is seen as a booming housing market in Japan.

For example, Bohemia, the Eugene, Ore.-based supplier, hired Chris Rogers to supervise overseas distribution of its glulam beams based on Rogers' fluency in Japanese and knowledge of the country from living there as part of the Japanese studies program at the University of Oregon.

One of Weyerhaeuser's Oregon mills is dedicated exclusively to producing framing lumber to meet Japanese specifications. "In Japan, household prosperity has not kept pace with economic growth," said Don Baron, the company's international marketing manager.

He said the Japanese government has adopted a policy of improving housing stock. And the Japanese work week is shrinking, creating more time for DIY projects.

At the same time, American suppliers are filling a vacuum left in Oriental markets after southeast Asian nations curtailed log exports, said Donald Butts, director of the Commerce Department's Forest Products Division. The decision to cut those shipments resulted from a desire to process the logs at home, a policy that could remain in effect for some time, observers said.

Thus Japan is expected to continue to reduce tariffs on lumber and plywood, said Weyerhaeuser's Baron.

But in the case of plywood, reduced tariffs may not mean much for some companies.

Doug Bartels, Boise Cascade's communications director, said plywood represents the "lion's share" of his company's exports. But the primary export markets are in Europe.

Japanese builders have proved slower than their European counterparts to accept plywood as a building material, Bartels said.

While demand is increasing in Japan and Europe for U.S.-made building supplies, tool makers here have been in the vanguard position among hardlines suppliers for renewing acquaintances abroad now that the declining dollar has made their products more attractive overseas.

American tools retain a "Cadillac" image in many countries, making them very attractive if prices are competitive, said Hal Juckett, export manager for Union Fork and Hoe, the Columbus, Ohio, lawn and garden tool supplier.

While hand tool exports were rising by almost 14 percent in the first eight months of this year, hand saw and blade exports shot up by nearly 38 percent, to more than $37 million during the same period, the Commerce Department said.

Rick Keup, vp-sales for Ames, the company that recently opened a New York export office, said sales abroad have increased "dramatically" in the last 18 months for his company, partly because of the current favorable currency exchange rate and partly from the increased emphasis on exporting.

The emphasis on exporting will soon find American Tool, the Lincoln, Neb., manufacturer that exports a third of its production, using packaging in Spanish, said Gunnar Birnum, marketing vp for the international division.

The overseas market, however, is not all trimmed in gold, and not every supplier can move his company's merchandise into European, Asian or African stores.

In Asia, some U.S.-made products remain too expensive or too well-made for their indigenous use. And in Europe, American products may not be good enough.

"The hardware in German windows, you could build a bridge with," said Jack Ullrich, manager of sales promotions for Bayport, Minn.-based Andersen Windows.

NAW updates study on wholesaling future

(Continued from page 7)

Forces of Change," is based on data compiled from questionnaires filled out by 682 industry "experts" that went across 120 commodity lines and 350 key industry issues.

Wholesale distribution accounts for one-third of the Gross National Product currently, but is still a "silent" industry, said Dolan, and does not get the notoriety of other businesses.

From 1982 to 1985, the industry grew in sales by 4.5 percent annually. However, it decreased in size by 20,000 companies, to 320,000. And while the Dow Jones Industrial Average rose 300 percent from 1982 to 1986, stocks of publicly held distribution companies went up only 80 percent. One of the reasons is that last year, wholesalers ranked only 28th among all industries in output per man hour.

"The essence of the new study is that the industry is positioned at a mature stage of its life cycle and must find ways to compete against new channels," which include direct sales by manufacturers, and wholesale and price clubs, said Dolan. "Distributors need to be more productive and use more technology."

Wholesalers face the reality that warehouse retail sales—from companies as diverse as The Home Depot to The Price Club—are expected to be $35 billion by 1995. "These people are nicking away at your business," said Dolan.

Consequently, the DREF panelists expect wholesalers will need to become more price competitive, with margins projected to dip slightly from an average 21.6 percent in 1987 to 21.2 percent in 1995. Nondurables will incur a sharper dip to 18 percent from 19.9 percent.

Large distributors are expected to increase their market share by one-third over the next seven years and account for 24 percent of the industry's total companies and 38 percent of sales, mostly through consolidation.

The number of total wholesale companies is expected to drop by 23 percent to 245,000 in 1995. However, Dolan believes that smaller distributors, because of their flexibility to service market niches, have a better chance of survival than midsized companies.

That survival, for both large and small firms, will be contingent upon a shift in business priorities. For example, where 78 percent of a wholesaler's sales last year came from "traditional" distribution functions, that figure is expected to fall to 68 percent, with more volume coming from such services as direct mail and catalogs, processing and remanufacturing, and providing retail sales information.

Wholesalers must devise programs that address changing dealer attitudes about dealing with distributors. Where more than two in five dealers thought price was the most important factor last year, the DREF panelists see delivery as gaining in significance over the next few years.

So delivery fill rates are expected to improve dramatically for surviving wholesalers. Where a third gets product to dealers in less than two days now, 40 percent should achieve that fill rate by 1995.

Another facet of survival will be distributors' willingness to modernize their businesses through technology.

However, where more than 70 percent of what distributors spent on technology last year was for hardware such as mainframes and terminals, by 1995 that will fall to 44 percent, with one-fifth of a distributors' technology budget going to computerized communications equipment for such things as telemarketing and electronic ordering.

He also noted that the use of bar coding is poised to become standardized among wholesalers. Where only 10 percent of what wholesalers ship is bar coded today, between 50 percent and 60 percent will be stickered by 1995.

Producer disputes OSHA regulations

(Continued from page 6)

warned about, and what is simple exposure," he said.

By way of example, he said that OSHA allows the level of formaldehyde to exist in a workplace to be one part per million, and held up a sign that would have to be posted in that event. Howlett then indicated that if OSHA's HazCom standards go through, manufacturers would have to inform dealers if a product contained formaldehyde at one-tenth that level.

"The human body contains 81 grams of formaldehyde, one million fold more than what the body would contain in a work place with one part per million," he said.

Focusing on the difference between "potential" product hazards, which he believes should require notification, and "inherent" hazards, which is how OSHA is now defining dangers, Howlett noted that the agency now would consider an uncut 2x4 a "container" of wood dust which is emitted when the product is sawed.

The law states that all employees, not just those working for manufacturers, be alerted to potential risk. So anyone who makes lumber could be required to send out Material Safety Data Sheets (MSDS) to retailers.

"There are 34,000 facilities making 2x4s, and you are going to be inundated with paperwork unless the government finds some way to standardize and simplify the MSDS's for manufacturers," Howlett said.

In a telephone interview from his Washington office James Foster, OSHA's director of public affairs, thought Howlett's contentions were disingenuous. He also called an exaggeration the suggestion that lumber in its "natural" form would require an MSDS submission because it will eventually be sawed.

Howlett also discussed California's Prop 65, which seeks to outlaw the discharge of hazardous materials into drinking water, and requires labels on products that may pose significant risk to workers and consumers. This ruling is significant, he said, because "if labeling is required in California, it's going to happen in the other 49 states, too."

Howlett said the government's hazardous product regulations "boil down to 'science policy', " or what he called "the 'one-hit' theory: any exposre level is dangerous.

"We disagree," he said. "We live in a world where people are living longer than ever. You can measure chemicals in all kinds of things, but the question is whether the measurement means anything."

Foster of OSHA, though, took a different viewpoint. "Our whole objective in this exercise is to ensure the safety of employees, who have a right to know what they're working with and what to do if they're exposed."

Lacey departs Canada's Molson

(Continued from page 5)

met with the chain's 50 top vendors last spring to assure them of Northern's solvency.

Lacey, an avid race car enthusiast who drove professionally in his native South Africa, replaces Daniel Siewert. Trump Group president Eddie Trump wouldn't say if Siewert resigned voluntarily.

However, Lacey is coming into a turnaround situation, and has received an equity stake in Northern. "We approached him because we were looking for the very best guy for the job," said Trump.

Lacey joined Molson to run Beaver Lumber on Oct. 1, 1984. He was instrumental in enhancing Beaver's market position in western Canada by acquiring 26 CrownMart and HomeTown stores in Saskatchewan, Alberta and British Columbia in 1987.

In the East, Molson acquired a 34 percent stake in Groupe Val Royal, whose 17 stores were absorbed into the Beaver chain; and a 25 percent interest in Lockharts Limited, with 15 units in Nova Scotia and New Brunswick.

Lacey has also guided his group into virgin retailing territory. In 1986, Molson purchased the 52-unit Lighting Unlimited chain, whose store count Molson intends to double by 1991. (The chain currently runs 62 stores.)

It also initiated a new joint venture, Nühaus Kitchen Systems Ltd., and in May 1987 opened a store in downtown Toronto that features high-end kitchens and appliances. Molson opened two Wares & Wares kitchenware and glassware stores, and two Aikenhead hardware units.

Lacey's legacy of growth, though, has yet to affect Molson's profit. In the fiscal year he joined the company, Molson's retail merchandising group had sales of $501 million (Canadian) from 162 Beaver units and operating profit of $23 million. Last year, the group's volume was $931 million but only $25 million in operating profit from 274 stores, of which 168 were Beavers.

Lloyd's future remains uncertain

(Continued from page 1)

and its current management might have been. Some competitors suspected, though, that Kidder wanted these stores' real estate. Kidder didn't return phone messages.

With the investor presumably out of the picture, Lloyd's future remains in limbo.

Assuming that the latest negotiations end in the chain's sale, American Maize still expects to realize a non-recurring loss of approximately $10 million net on taxes.

But for now it's business as usual at Lloyd's, which opened its 35th store in Fishkill, N.Y., last month.

Channel's market basket program boosts impulse buys

(Continued from page 1)
the stores' Market Centers—was usually centered in a power aisle and the products sold were generally bought from closeout specialists.

The 170-unit chain is now experimenting with out-of-field merchandise and higher profile closeout merchandise.

Bigger ticket goods put in

Doug Logan and Jackie Cvik, Channel's closeout buyers monitoring the Market Basket program, stressed that impulse-buy appeal remains the essential marketing element of the department. But the future promises some "unpredictable" twists.

More products selling for more than $5 will be added, as will larger sized products that don't necessarily fit in the bushel baskets.

Already, Channel's Market Center has shown a shift. Recently, in some units, telephone answering machines were sold for $27.75 and tool boxes were priced $34.97. The company has also stocked what might be considered drug store items like razors and shampoo.

In the past, the Market Basket program included such diverse fare as flashlights, batteries, thermal cooking mitts, drawer knobs, levels, hand tools, tapes, cork screws, and even basting brushes.

"We used to depend on what we considered staple items," Logan said. "There will still be some staple items that we'll continue to buy, but we're looking for all kinds of overruns, packaging problems, and buy backs."

As a result, practically every merchandising category with the exception of food and apparel is fair game for the Market Basket.

Even products too large to fit in the bushel baskets have a place in the Market Basket program on endcaps or in one of the bulk bins in the commodities department.

Helps push weak categories

Cvik said using the endcaps in the Market Basket program permits Channel to experiment with products the company normally would not stock. One "off the wall" product line Cvik said the company recently brought in consisted of vases and artwork. Microwave accessories and telephone accessories also have been included.

"The closeout salvage experts are pretty good and they know what we are looking for," Logan said. "We might not have enough product to put in every store, but the closeout guys know we are a home center and try to fit their products with our needs."

Logan said the inability to put closeout merchandise in every store is often handled by targeting that merchandise to an area where the chain has problems with a full program sold in "regular" departments. That occurred recently when Logan supplied the company's Washington-Baltimore units with closet organizers purchased through a closeout.

Lee Lumber fills a void on Chicago's North Side

(Continued from page 7)
Lee, a family owned business headed by Rick's father, Lee, and second son, Randy, spent an estimated $400,000 to $450,000 on the renovation.

The north side unit's warehouse space will relieve crowding at the south store, but it won't replicate that store's $2 million inventory.

Some functions, such as Lee's prepackaging operation for the city's largest garage builder, will move to the north store. (Lee ships eight garage packages a day.) Its millwork operation will remain south. The new unit will add 34 new employees to the work force.

The entry of Lee Lumber should also benefit the local community. Lee Baumgarten, the company's chairman, is a long-time supporter and chairman of the local Boy's and Girl's Clubs on the south side.

Lee Lumber was a major backer of a 12,000-square-foot playground built in the north side's Oz Park last month. Rather than spend an estimated $225,000 to construct the wooden play structures, more than 2,000 neighborhood residents donated sweat equity to build it and a number of local businesses donated materials. The total cost was under $75,000. Lee underbid three other lumber suppliers and then kicked in a $5,000.

Cotter to open new Florida DC

(Continued from page 6)
Minn., distribution center, stressed that members receive the same level of service in all areas of the country. The Ocala facility will serve Florida, part of southern Georgia and about 20 offshore accounts in the Caribbean and Central America.

Cotter bought the land for the distribution center two years ago and construction began the following year. In most respects, the Ocala facility is similar to the 14 others operated by Cotter. Its 360,000 square feet is about the average size for a Cotter distribution center, as is the 32,000 stockkeeping units that will be carried. The distribution center employs 70 people.

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Major chains push expansion into Northeast

Hechinger buys Triangle Building Centers to increase foothold in Pa.

See Perspectives for more on the Northeast

By an NHCN staff editor

LANDOVER, Md. — The six-unit Triangle Building Centers is expected to retain its name and operating management following its purchase by Hechinger Co. for $27 million.

The acquisition of the southeastern Pennsylvania chain comes three months after Hechinger, based here, had purchased 47 Bradlees Discount Department Stores, a network of stores that stretch from North Carolina to metropolitan Philadelphia.

Based in Quakertown, Pa., Triangle Building Centers sales grew 67 percent between 1986 and 1987, to $60 million. It was purchased from Triangle Supplies and Lumber, a holding company.

Except to state his delight with the merger, Martin Schaeffer, senior vp and general manager, declined to discuss his company's takeover by the 79-unit Hechinger.

Pam McMillan, a Hechinger spokesperson, said the acquisition gives her company a strategic opportunity to "fill out" markets in which Hechinger had not competed previously. "This complements the Bradlees [acquisition] very well," she said.

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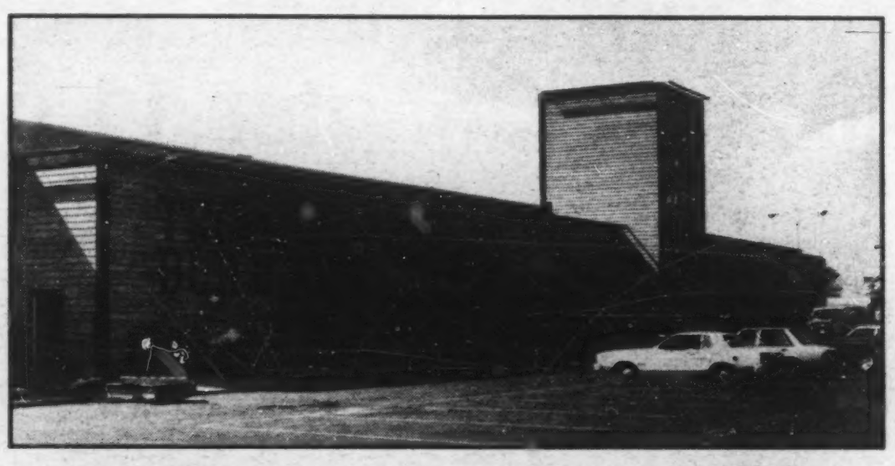


Triangle Building Centers, including this one in Wilkes-Barre, Pa., will retain their names after the Hechinger purchase. NHCN photo

Home Depot acquires three Modell's units in its New York expansion drive

By Milford Prewitt

ATLANTA — The Home Depot took the first steps in its long range mission to operate 50 stores in the New York metropolitan market by acquiring three Long Island, N.Y., discount stores that will be converted into its warehouse home center format.

In a deal announced Nov. 3, the 88-unit warehouse operator will buy one and sublease two Modell's Shoppers World units from Henry Modell & Co., a 29-unit discount and sporting goods company based in East Meadow, N.Y. Modell's is better known in the New York area as a sporting goods operator, and since this year has been scuttling its six discount stores in order to concentrate on sporting goods.

Although neither company would disclose details of the deal, Michael Modell, president of the company, said the Home Depot bought one store in Patchogue, N.Y., and will sublease units in Commack and East Meadow.

Modell said all three stores are approximately 110,000 square feet. At the Commack and East Meadow units, Modell will build new 10,000- to 20,000-square-foot sporting goods stores adjacent to the Home Depots, he said.

Arthur Blank, president of The Home Depot, would not estimate how long it would take to convert the units into the company's format. He also declined to project a likely grand opening date.

"I really can't do that for competitive reasons," he said.

(Continued on page 6)

Price hikes might put chill on winter promos

By Tom Bagsarian

NATIONAL REPORT — As the days grow shorter and the weather gets colder, some winter-related products will be priced higher than in years past. Everything from snow shovels to bird seed, kerosene heaters and antifreeze will cost shoppers more money in some stores.

Merchandising

But the reasons for these anticipated price hikes vary, and they are not expected to affect all winter products.

ACO, the 64-unit hardware store chain based in Farmington Hills, Mich., is sticking with the winter inventory that has been successful before. However, ACO will carry more bird feeders and bird seed, according to Ken Williams, that company's garden merchandiser. Although Williams expects feeder prices to remain steady with last year's, he noted seed, which Williams said was a high-margin item, could rise in price by as much as 10 percent.

The reason for the jump in seed prices, a commodity item, is the summer's drought, said Fred McManus, marketing manager with Agway, the Dewitt, N.Y.-based farm and home center chain. Agway is also expanding its number of feeders, whose prices have remained relatively constant, McManus said. Customers are buying more expensive feeders, he also noted.

(Continued on page 4)

Pro, Allied merger extends market clout

By Gary S. Ruderman

STAMFORD, Conn. — The merger of the Pro Hardware and Allied Hardware marketing groups, slated for January, will give the combined forces new buying clout and will provide Allied's 29 wholesaler/members with their first marketing and store development program.

The deal, signed Nov. 4 and planned for a Jan. 1, 1989 closing, means the Pro group would become a nearly $1 billion business and could wield more negotiating leverage with vendors.

This was the second major move for Pro, based here. Last year, the 600-store United Hardware Distributors in Minneapolis became the first such dealer-owned organization to join a marketing organization such as Pro. United's members are known by the Hardware Hank name in 11 north central states.

The privately held Pro is the marketing group for 16

(Continued on page 38)

Gary Cosgrave, president and ceo of Pro Hardware

Surveillance tags nab would-be thieves

By Edward McKinley

NATIONAL REPORT — Electronic surveillance tags have helped a New England hardware retailer nab more shoplifters, including a trusted credit account customer and an employee who was under consideration for promotion.

"It's a real eye-opener," said Scott Hassett, manager of J. P. O'Connor True Value in Billerica, Mass. "You really don't know who's stealing from you."

The tags, now available as paper stickers that attach to merchandise or packages, set off an alarm if anyone tries to leave the store without paying.

Manufacturers offer pads that quickly defuse the stickers at the checkout stand.

Known as EAS for electronic article surveillance, the concept gained importance years ago for many retailers, but manufacturers of the systems said home center operators have lagged behind.

"They're just putting their toe in the water," said William Schneck, vp-marketing for Checkpoint, the Thorofare, N.J., supplier.

Wider retail acceptance

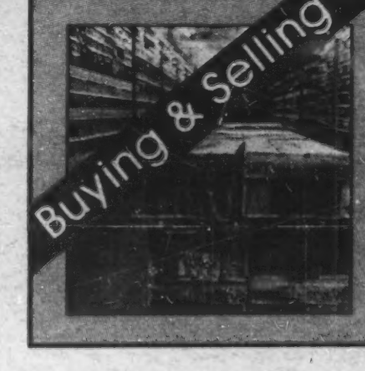
"The home center business has not gotten in until this year," Schneck continued. "They're just beginning to accept the fact that they're getting ripped off big."

He said a number of home centers now use Checkpoint systems, including NHD Stores, the Stoughton, Mass.-based chain of 33 stores.

(Continued on page 37)

INSIDE

Big chains invade last frontier in Northeast 18



Sheer number of fastener items means headaches 23

NEWSBREAKS

HOME DEPOT'S THIRD QUARTER EARNINGS SKYROCKET: The 88-unit Atlanta-based chain's net income shot up 75.7 percent to $9.7 million, or 33 cents per share, for the quarter ended Sept. 30. Three-month sales rose 40 percent to nearly $510 million. For the nine-month period, Home Depot's earnings jumped 51.9 percent to $38.1 million on sales of $1.47 billion, a 36.6 percent increase and more than the chain's total volume for all of 1987.

INDUSTRY UPDATE

L-P to produce new wallboard

PORTLAND, Ore. — Louisiana-Pacific has solidified plans to build a plant in Canada to produce a new kind of gypsum wallboard panel that purportedly has superior qualities over traditional drywall.

Harry Merlo, chairman and president of L-P, said the company will build a fiber gypsum plant on Cape Breton Island, Nova Scotia. Construction is scheduled to begin in early 1989 with completion set for early 1990. The plant will employ 100 people and will produce 240 million square feet of fiber gypsum board on a ½-inch basis.

Merlo said the site was chosen because of the abundance of gypsum ore in the area, the work force and the support of the Federal and Provincial agencies of Canada.

As reported in *NHCN* in March, both L-P and Furman Lumber are vying to build plants to produce a product that its makers say might revolutionize drywall. Both L-P and Furman Lumber will utilize a well-known European drywall product in which the gypsum ore, paper, and wood fiber are ground together to make one homogeneous panel. The producers say tests have shown the fiber gypsum panel exceeds traditional gypsum in nail retention, water repellency, and can be handled more roughly without chipping. In addition, the L-P's board will eliminate the need for elaborate taping and caulking.

Westlake runs Lone Star units

LENEXA, Kan. — Westlake Hardware assumed management control and placed its own managers into the fledgling Lone Star Hardware operations in Florida, Texas and Oklahoma.

After a year of lower-than-expected earnings and higher-than-expected expenses and the resignations of both presidents at the Florida and Southwest divisions of Lone Star, Westlake took over Oct. 27. Westlake, based here, franchises the Westlake Hardware name to the 26-store Lone Star chain. Senior Westlake managers are also owners of the Lone Star operations.

George Smith, former manager for the Oklahoma City store, is now director of operations at the 19-store Florida operation, formerly the Lindsley Home Care chain.

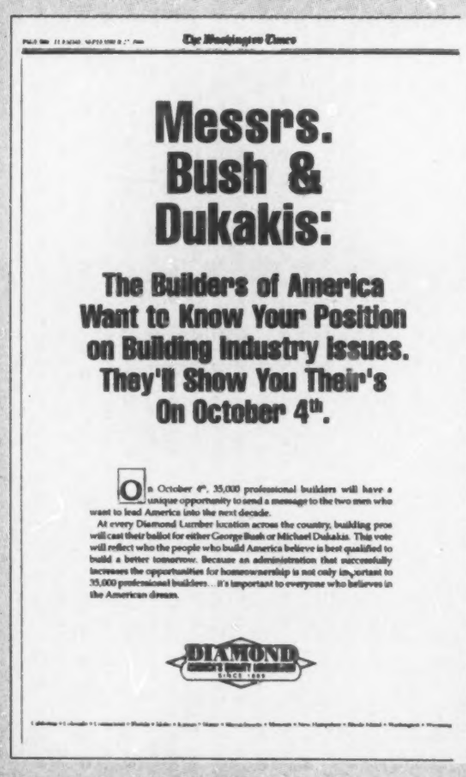
Scherer Lumber founder dies

MEDINA, Minn. — Meinrod "Munn" Scherer, cofounder of Scherer Lumber in Minneapolis, is dead at the age of 80. He died of a stroke at his home in Medina, Minn., Oct. 21, according to his nephew Roger Scherer, president of the single-unit contractor yard founded in 1930.

"His proudest accomplishment was his family," said Roger Scherer. A Minnesota native, Munn Scherer was active in the business until 1978. He was a longtime member of industry organizations including the International Order of Hoo Hoo.

Diamond writes to candidates

WASHINGTON — Diamond Lumber, the Dallas-based chain, attempted to provoke interest in the housing market in the two presidential candidates with this full page ad in *The Washington Times*.


The Washington Times

Messrs. Bush & Dukakis:

The Builders of America Want to Know Your Position on Building Industry Issues. They'll Show You Their's On October 4th.

On October 4th, 35,000 professional builders will have a unique opportunity to send a message to the two men who want to lead America into the next decade.

At every Diamond Lumber location across the country, building pros will cast their ballot for either George Bush or Michael Dukakis. This vote will reflect who the people who build America believe is best qualified to build a better tomorrow. Because an administration that successfully increases the opportunities for homeownership is not only important to 35,000 professional builders... it's important to everyone who believes in the American dream.

DIAMOND

"People asked us why we would do such a thing when we don't even have any stores in that area," said Wayne Nalls, vp of marketing for the company. "Although it was Diamond's ad, it brought the industry a lot of attention."

The ad preceded the company's mock presidential election Oct. 4, in which the company's 64 stores served as polling places for builders, contractors and remodelers.

Of the more than 5,000 votes cast, builders overwhelming voted for George Bush (71 percent) over Michael Dukakis (29 percent). As it turned out, Diamond and other dealers will now be directing their efforts at President-elect Bush.

Sears 'clearing the shelves' in preparation for its new strategy

By Gary S. Ruderman

CHICAGO — The industry's biggest competitor is having a sale.

From the world's tallest building to the lowliest sku, Sears, Roebuck & Co. is disposing of many of its assets. Part of that process will include a "near term" blitz of promotional activities to reduce inventories and boost sales.

Even before the shelves and warehouses are cleared, the nation's No. 1 retailer will shift its emphasis to everyday low pricing and away from its 30-year-long dependence on promotional sales. This move began, almost imperceptibly, early this year in Sears' automotive departments.

Intense competition from discounters accelerated some of the change. "I've got friends that say they never buy from Sears unless its on sale," explained Hank Amrhine, Black & Decker's national sales manager handling the Sears account. "Wal-Mart, K mart and others have good prices all the time and get the traffic. Sears [now] feels its needs to be competitive everyday."

Reducing the cost of promos

Michael Bozic, chairman of Sears' merchandising group, said the changes weren't initiated because on-sale merchandise wasn't turning. Rather they were made because of the expense of gearing up for the monthly sales: a cumbersome, 51-step process that cost Sears $80 million in the promotional planning alone to put 8,000 stockkeeping units on sale each month at its 825 stores.

Bozic, speaking to analysts and selected reporters Nov. 7, said the retailer's merchandising group plans to save $200 million a year by cutting inventory and streamlining warehousing.

In his presentation, corporate chairman and ceo Edward Brennan said Sears has no intention "to reformat our business as a discounter." Sears will neither emulate discounters nor make its stores more self-service.

Instead, Brennan said, Sears will reduce its promotion-related costs and free up retail space and inventory dol-

(Continued on page 38)

Ajayem Lumber, despite profits, files for Chapter 11 protection

By an NHCN staff editor

WALDEN, N.Y. — Ajayem Lumber Corp., a well-known New York lumber distributor with branches and customers in the Midwest and along the Eastern Seaboard, has sought protection from its creditors under Chapter 11 of the Federal Bankruptcy Code.

In a candid review of the wholesaler's problems, Aaron Modansky, president of the 42-year-old company, told *NHCN* the filing was a result of uncooperative lenders, "runaway corporate overhead," inventory excess and the intense competitive pressures the company faces in the South.

"This was something we had to do in order to protect our own situation as well as our [trade] creditors," Modansky said. "When you are in the situation we are in, you can't be thin-skinned.

"This has given us an opportunity to go forward."

Modansky said the reaction to the news by the company's suppliers and customers had been encouraging.

A source familiar with the company said the Ajayem's problems had more to do with the adversarial relationship Ajayem had with its major lender, Continental Illinois, than with the market, although neither the company nor the bank would elaborate.

Modansky said the company has permanently closed two distribution facilities in Charlotte, N.C., and Tampa, Fla. A third DC in Columbus, Ohio, will remain in operation, he said.

Modansky indicated that when the two southern branches' chronic losses were added to Ajayem being overinventoried —particularly in plywood—the financial drain of keeping the Charlotte and Tampa operations became intolerable.

To a "very small degree," Modansky agreed with some

(Continued on page 38)

NBMDA's annual meeting addresses technology and employee shortages

By an NHCN staff editor

NEW ORLEANS, La. — As this city's fans cheered on the Saints football team against the Los Angeles Rams in the Superdome, another raucous event was taking place next door in the Hyatt Regency hotel: the start of the National Building Material Distributors (NBMDA's) annual meeting.

The 90-member Southern University marching band shook the hall with a cacophonous version of "When the Saints go Marching In," accompanied by silver-sequined majorettes strutting down the aisles to open the association's 37th annual meeting.

This loud fanfare was a fitting start for the association's largest meeting of the decade, with 950 attendees. It reflected the recent work that the NBMDA has done to strengthen its organization and better service its dealer members, who now represent more than $7 billion in building material sales.

Keynote speeches and seminars touched on the many changes facing the industry, in particular, how to increase profits through technology and better inventory management.

Under the convention's theme of "Bringing the Best Together," it assembled 169 exhibitors and put on a seminar for manufacturers and distributors to discuss ways of improving their relations.

The presidential election formed a backdrop to the whole convention. Michigan congressman Guy Vander Jagt gave the keynote speech on pursuing the American dream. Judge Robert H. Bork, whose nomination to the Supreme Court was rejected by Congress last year, continued the political theme when he reiterated his conservative view of politics and the Constitution as guest speaker at the awards luncheon the following day.

But the overriding concern of the convention was with the changing labor pool and the need to educate the industry at all levels to sustain its growth.

"The number of jobs will greatly exceed the number of people available. The unemployed female and under-employed minorities and retirees will be your labor pool and you will have to accommodate even more part-timers," said Phil Unger, group vp of building products for Armstrong World Industries, at the opening session.

Education is the prime focus of the NBMDA, which this year established an Education

(Continued on page 37)

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Perspectives

THE NORTHEAST

Well-financed newcomers battle entrenched retailers for a $15 billion market

By *NHCN* staff

REGIONAL REPORT — A trickle has turned into a stream and could become a flood.

After years of rumors and faint-hearted starts, three of the home center industry's most competitive chains have finally gained solid footholds in the Northeastern Seaboard in general and the New York metropolitan area specifically.

In what might represent the last frontier for home center store expansion, the Northeast—particularly its coastal region—is finally luring national chain operations that heretofore have opted to compete elsewhere.

However, the northeastern expansion of such chains as Builders Square, Home Depot, Hechinger, Grossman's, Somerville Lumber, Rickel and Channel might be occurring at a time when the region's aura for boundless sales opportunity may be diminishing, with housing starts off and the growth rate of population and consumer home improvement spending slowing.

Big chains make their moves

Those prospects, though, haven't deterred expansion, at least not yet. In the past 45 days alone the home center landscape in the Northeast has changed drastically:

- On Nov. 3, The Home Depot purchased three Modell Shoppers World stores, a sporting goods chain, on Long Island, N.Y.;
- Four days later, Hechinger bought the six-unit Triangle Building Centers chain based in Quakertown, Pa., about 30 miles northwest of Philadelphia;
- Builders Square made its first foray into New England in September with units in Nashua, N.H., and in Orange and Farmington, Conn., giving the chain seven units between Philadelphia and Maine.

Those encroachments into the Northeast were preceded by earlier events.

Hechinger opened its first New England unit in Newington, Conn., in March and recorded its highest grand opening sales in the chain's history. It expects to open its first Long Island-area store in East Northport, N.Y., early next year. More recently, the company bought 47 Bradlees Discount Department Stores in mid-August. Although Hechinger announced that it only intends to keep half of the Bradlees' units, about 15 are in the Philadelphia vicinity.

The Home Depot, meanwhile, in preparing the backup support for what may be 50 stores in the New York metropolitan market, restructured its corporate merchandising staff and has opened a regional buying office in Piscataway, N.J.

As it did in California and Arizona, Home Depot has begun the process of recruiting market-wise merchandising executives from local chains. It recently hired Ken Gourley from Channel as a regional merchandising manager, as the company prepares to open units in East Hanover, N.J. and North Haven, Conn.

The expansion of Builders Square in the Northeast and the arrival of the Home Depot are frightening developments to independent lumber dealers, many of whom have enjoyed unprecedented prosperity since the housing recovery in 1982 (*see other story*).

Because of the chain invasion in the Northeast, shoppers in West Haven, Conn. have, among other choices, this Builders Square (above) or Grossman's (left). The local chains have been forced to develop a strategy for competing against the newcomers. Stanley Berman outlines Grossman's approach: "Builders Square can come into a market and disrupt [a market's] pricing for a short time, but in the long run, we're placing our emphasis on quality goods and services."

Larger Northeast chains, however, though concerned about the arrival of new competitors, said they have the resources to deal with the onslaught.

Stanley Berman, senior vp-administration for Grossman's, which has more stores in the Northeast than any chain, said the company, in important markets, will grow using a showroom prototype expanded to 52,000 square feet to accommodate a broader product mix. These moves, Berman said, are to blunt the reception of Builders Square and other invaders, and prevent the loss of any market share.

"Builders Square can come into a market and disrupt [a market's] pricing for a short time," he said. "But in the long run, we're placing our emphasis on quality goods and services."

Indeed, it appears that many entrenched chains are going the larger-store route to preempt the warehouses. Throughout 1988, Pergament has been opening or expanding many of its stores into a warehouse-style format. Rickel's 53rd store, a 65,000-square-foot unit that opened Nov. 6 right across the street from Hechinger's new store in Newington, Conn., has the largest outdoor lumberyard in the chain.

The question is: Why is all this expansion happening now? And the answer appears to be: There's no place else to go that offers the Northeast's promise of investment return.

Until now, dealers have shied away from the Northeast's high real estate costs (Grossman's is spending anywhere from $2 million to $4 million for an eight-acre parcel of land), high salaries, unions and inflated advertising expenses, and have focused their growth in markets like southern California, Phoenix, Dallas, Houston and Chicago, where it was cheaper, presumably, to operate stores.

But those markets, for all intents and purposes, have been fully mined for their growth potential, and dealers have turned their expansionary eyes towards northeastern markets that have always had strong economic vitality and, more important, population density and affluence.

The Northeast takes up only 3.4 percent of the U.S. land mass and is only about four-fifths the size of California. Yet it is home for 32.4 million people, 13 percent of the nation's population. The region has more than 16 percent of the country's households and nearly one-fifth of its disposable household income. The region enjoys an average household income of $45,000, 20 percent higher than the national average.

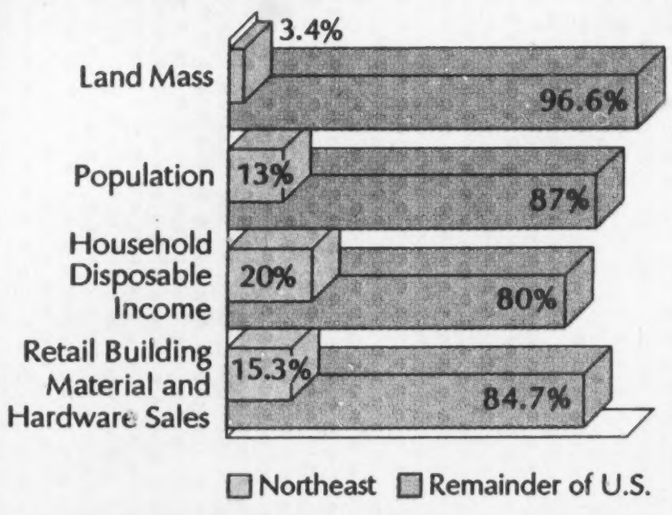
More significant for home improvement dealers is the statistic showing that the eight northeastern states plus the Philadelphia metropolitan area are expected to generate $14.85 billion in retail hardware and building material sales in 1988, 15.3 percent of the nation's total in 1988, according to *Editor & Publisher's 1988 Market Guide*.

Butting heads in a shrinking market

Some financial analysts believe the national chains' foray into the Northeast will be a successful one. Bo Cheadle, an analyst for Montgomery Securities, San Francisco, expects some of the Northeast chains—particularly those that have never before competed against Hechinger or the Home Depot—will sustain the same kind of profit and margin erosions Scotty's experienced when the warehouse chains hit Florida.

(Continued on page 20)

Affluence and population make the Northeast attractive . . .

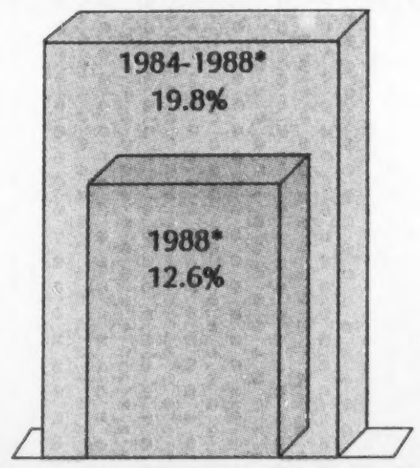


Despite taking up only a small area of the U.S., the Northeast accounts for a great portion of the country's wealth and people. *NHCN* Chart

Source: Editor and Publisher 1988 Market Guide

. . . but home improvement sales growth is slowing . . .

Rate of sales growth for retail hardware and building materials in the Northeast



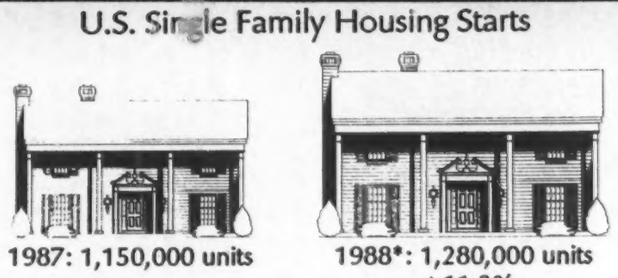
*Projected figure

The region, which will hit $14.85 billion in retail hardware and building material sales, has been experiencing a slowdown from historic levels of growth. *NHCN* Chart

Source: Editor and Publisher 1988 Market Guide

. . . and the housing market has softened.

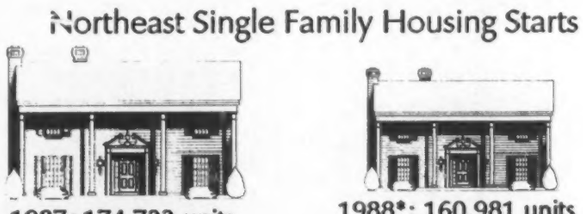
U.S. Single Family Housing Starts



1987: 1,150,000 units

1988*: 1,280,000 units
+11.3%

Northeast Single Family Housing Starts



1987: 174,723 units

1988*: 160,981 units
-7.9%

* Projected figure

And single unit housing starts for the area this year have dropped off by 7.9% while starts throughout the country have risen by 11.3% *NHCN* Chart

Source: National Association of Home Builders

Chains enter Northeast despite regional slowdown

(Continued from page 19)

"Scotty's hasn't had an up year since the Home Depot entered Florida," he said.

What strikes some industry observers as ironic, though, is the disturbing feeling that the "invaders" are coming to the Northeast at a time when the regional economy is starting to soften.

One barometer for this is the home construction market, in which the Northeast has been one of the most robust in the nation for several years. Single-family housing starts in the Northeast are projected to fall by 7.9 percent to 160,981 units in 1988 at a time when single-family unit construction is expected to increase 11.3 percent for the nation as a whole, according to the National Association of Home Builders.

The region's 12.6 percent growth rate for retail hardware and building materials sales projected for this year, while still running ahead of the nation, would represent a decline from to the area's five-year (1984-1988) annual average of 20 percent.

Moreover, in an unsettling report entitled "Residential Remodeling: The Big Chill" released last month, Shearson Lehman Hutton's construction division forecasts a steep drop in residential remodeling expenditures, which last year equaled $25.7 billion in the Northeast, compared to $17.1 billion in the West.

According to its authors, northeastern homeowners, with the nation's highest per capita incomes, historically have spent more remodeling dollars per unit than residents in other regions ($32,091 in 1987, compared to the highest total of $21,770 in the West). But that's been fueled, at least partially, by home prices that have increased about 16 percent a year between 1982 and 1987, considerably higher than the national average. Consequently, the Northeast homeowner has so much money tied up in his mortgage that there's little left for major remodeling projects.

These data serve as a backdrop for the recent retail home improvement expansion that, in the not-too-distant future, could find The Home Depot, Hechinger, Builders Square, Somerville Lumber, Grossman's, Rickel, Channel, Pergament, Lloyd Home & Building Centers, Mr. Goodbuys and 84 Lumber (not to mention scores of strong independents) all competing for the same turf in some New York or Connecticut market.

The future is now in the Long Island town of Patchogue, where one of the Modell's stores bought by Home Depot is across the street from an older Pergament, a short drive from a Pergament Superstore and within a five-mile radius of a Rickel, a Channel, an 84 Lumber, a Grossman's and an aggressive, project-oriented regional dealer, General Building Products.

The same thing is already true in West Haven, Conn., where Grossman's opened a new 44,000-square-foot store last month within a mile of a Pergament, a Builders Square and several independent yards.

The prospect of an expansionary juggernaut in the Northeast makes some dealers wonder if the region, like Houston, Phoenix, or Chicago before it, will become overstored.

Ron Brill, Home Depot's senior vp and cfo, counters this argument by pointing out that the same observations were made when his chain expanded into Florida and California. "We move to a market based on the volume that is there, not on who the competition is."

But one person concerned about the likelihood of overstoring is Tom Thornton, president of Mr. Goodbuys, the 17-unit, Philadelphia-based warehouse operation. His company joined the Long Island fray for the first time with two stores this summer, and also has stores in northern New Jersey.

. "The Northeast is going to be overstored," Thornton said. "All the players are going to be affected by the arrival of the Home Depot, some worse than others.

"I certainly don't think the Northeast is as attractive right now as it was acouple of years ago."

Ann Plaut, Channel Home Centers' corporate spokesperson, agrees. "We do think the most fertile period is over."

This story was reported by Milford Prewitt, John Caulfield, Elizabeth Brent and Edward McKinley, and written by Mr. Prewitt.

THE NORTHEAST INCUMBENTS

Grossman's: (Conn., Maine, Mass., N.J., N.Y., Pa., R.I.)	143*
Channel: (Conn., Mass., N.H., N.J., N.Y., Pa., R.I.)	95
Rickel: (Conn., N.J., N.Y., Pa., R.I.)	51*
84 Lumber: (Conn., Mass., N.J., N.Y., Pa., R.I.)	50**
Pergament: (Conn., N.J., N.Y. metro)	42
Lloyd Home & Building Centers: (Conn., N.Y.)	24
Valu Home Centers: (western N.Y.)	23
Wickes Lumber: (Conn., Maine, Mass., N.J., N.Y., Pa.)	23**
Hechinger: (Pa., N.J., N.Y., Conn.)	22†
Diamond Lumber,: (Conn., Maine, Mass., N.H., R.I.)	15
Gerrity Building Centers: (N.H., Maine, western N.Y., Vt.)	13
Mr. Goodbuys,: (Pa., N.J., N.Y. metro)	13
Chase-Pitkin: (central and western N.Y.)	11
The Strober Organization: (Conn., N.J., N.Y metro)	11
P.F. O'Connor: (Conn., Mass., N.H., R.I.)	10
Somerville Lumber: (Mass., N.H., R.I.)	8*
Builders Square: (Conn., Pa., N.J., N.H.)*	7
	Total: 561

*Grossman's count includes Oct. 21 opening in West Haven, Conn.; Rickel count Nov. 6 opening in Newington, Conn.; Somerville Lumber count Oct. 24 opening in Acton, Mass.; Builders Square count includes September store openings in Orange and Farmington, Conn., and Nashua, N.H.

***NHCN* estimate

†Hechinger count includes March 5 opening in Newington, Conn., and Nov. 7 purchase of six Triangle Building Centers.

Source: Company officials *NHCN* chart

Seventeen chains are currently doing battle in the Northeast from Maine to Philadelphia. The prospect of more aggressive expansion by warehouse chains like Builders Square and Home Depot and retailers already in the market augurs a shootout among chains and independents.

Locals plan defense against price-cutting invaders

By Edward McKinley

NASHUA, N.H. — Add this city to the list of places where independent home center dealers find themselves tempted to buy from a retail competitor.

The reason: Builders Square has come to town and is selling commodity building materials for less than the prevailing wholesale prices.

The San Antonio, Texas-based Builders Square and other national chains are rolling into the Northeast, bringing cutthroat pricing and using higher wages to entice workers from the area's established home centers.

To defend their turf, independents are relying upon contractor business, customer service, local reputation, personal relationships and specialized departments.

Industry sources said those defenses could help the Northeast's single-store retailers and small chains fare better than their counterparts in other regions which failed in the struggle with the big national chains.

But, no one suggested success will come easily for the independents of the Northeast.

"How do you defend against companies that sell below regional cost?" asked Guy Ryan, president of the five-store Lumbertown, with headquarters in Nashua.

"There is a big danger to the distribution system of building materials as we know it."

The threat arose, he said, when Builders Square began underselling the local Georgia-Pacific distributor on certain building products.

Moreover, the Nashua Builders Square has offered to act as a distributor to local independents, Ryan said.

He said he pays $8.20 wholesale for USG joint compound that Builders Square retails for $6.75.

(Continued on page 20)

Sears 'clearing the shelves' to prepare for new strategy

(Continued from page 2)

lars. Sears retains the market share lead in 74 major lines including power tools, garage door openers and exterior paint, Brennan said, even though industry sources have indicated that Sears' share in many of these categories has been sacrificed to discounters and home centers.

Bozic elaborated, saying Sears would narrow its assortments overall, opening "opportunities on shelves . . . for additional private labels and national brands."

This decision, according to industry vendors, could heat up competition between the nation's power tool vendors for space on Sears' shelves.

More brands to be stocked

It is premature, though, to guess which lines would be trimmed since Sears itself won't say when everyday low pricing begins. Over the past year, in a test unit in Wichita, Kan., which was operated with $300,000 less inventory than a typical Sears unit, the company found it was able to carry a broader, faster turning product mix.

But comments by both Bozic and Brennan show one key area of concern. In its shift to shrink its automotive departments in favor of full-service facilities, automotive skus shifted into hardware. Bozic was unable to say whether that area's hardware items were cut back or whether the area expanded to take on the automotives.

Already, the retailing giant is increasing its reliance on two-step distribution from this industry. Two months ago, *NHCN* confirmed that Sears' satellite paint and hardware stores were receiving shipments of brand name merchandise from members of Sentry Hardware, Des Plaines, Ill. (*NHCN*, Sept. 5).

Sears is also buying DIY plumbing products from at least two large industry suppliers: Chicago Specialty and Masco's Plumb Shop division.

Vice president-home improvement John Parsons told *NHCN* that the company is looking to take on branded products in a variety of categories, but only when that merchandise wouldn't jeopardize the proprietary brand—Craftsman, Weatherbeater, Kenmore, Eagle—that Sears has built its reputation on.

Brennan and Bozic's comments came on the heels of the Oct. 31 announcement that Sears would include:

- cutting costs internally and refocus on everyday low pricing in its merchandise group;
- selling the world's tallest building, the 110-story Sears Tower in Chicago, as well as the commercial division of Coldwell Banker real estate group and Allstate's health and group life insurance business and,
- repurchasing 10 percent of its common stock, or about 40 million shares.

Ajayem Lumber files for Ch. 11 protection

(Continued from page 2)

industry observers that Ajayem was also hurt by the price drop in southern yellow pine and the virtual halt in demand for treated lumber. But he tended to see that dimension as an industry-wide cyclical development and not one endemic to Ajayem.

He said the company will continue to service some customers in the South that depended on the recently closed operations. Those that cannot be efficiently serviced will probably establish contacts with other wholesalers, Modansky conceded.

"In times gone by, we have worked with many customers who were in the same situation [such as] Diamond Lumber, Wickes, Grossman's," Modansky said of three retailers that went through bankruptcies of their own. "We served them when they went into Chapter 11 and came out of it profitably.

"So we look upon this optimistically and see it as a new beginning."

Sal Giello, eastern region credit manager for Weyerhaeuser, Marlton, N.J., said a creditor's committee had not been organized by press time.

Atypical filing

He said Ajayem's filing was not typical of most Chapter 11s he has seen over the years. The main difference between Ajayem and others, Giello said, is that Ajayem is always profitable.

"Most companies file Chapter 11 because of long-term sales or profit losses or they lose market share," Giello said. "But here you have a company that is profitable and never reported a loss.

"But they over-expanded a bit and couldn't get the help of their bank."

Giello said Ajayem Lumber demonstrated its resolve by cutting the southern divisions and reducing overhead in its Walden, N.Y., headquarters.

Ajayem Lumber reported sales in excess of $80 million in 1987.

The financials in the Chapter 11 statement listing the company's assets and liabilities could not be obtained by press time.

Pro, Allied merger extends market clout

(Continued from page 1)

hardware wholesalers in 11 states, including such companies as RKB Enterprises, Moore-Handley and Bostwick-Braun.

In total, its wholesalers distribute to an estimated 5,600 member-stores. The organization's aggregate sales this year are expected to reach $650 million, according to officials.

The Chicago-based Allied, with 29 wholesaler-members in 22 states, gives Pro a wider geographic distribution network. Its distributors serve about 800 affiliated dealers and a total of 18,000 accounts. Allied's sales in 1988 are expected to reach $325 million.

(The nation's largest wholesaler marketing group, Liberty Distributors, expects its member sales to reach $1 billion this year.)

The private stock of Allied's members was purchased by Pro to effect the merger. No details of the transaction were released. Allied will cease to exist following the merger, but will retain its name for a period of time.

Gary Cosgrave, president of Pro, said the merger was indicative of the consolidation wave throughout the industry. "It was necessary to position ourselves [for] the next decade," said Cosgrave.

In the past, according to Allied officer Shel Gendelman, Allied members missed out on major vendor discounts because member combined sales levels and category buying power were surpassed by other groups such as Liberty and Sentry Hardware.

Gendelman, president of Hardlines Marketing, a Milwaukee wholesaler, added that Allied's current members may choose to remain in the group strictly for the buying clout, or can also participate in Pro's store remodeling and development program.

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National
Home Center News

Vol. 14, No. 25 $2 a copy The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. Dec. 12, 1988

Hechinger has decided not to take on the leases of 14 Bradlees stores in the Philadelphia market. The chain recently bought the six-unit Triangle Building Centers, which has stores located in the eastern Pennsylvania area. NHCN photo

Hechinger backs away from buying leases of Bradlees' Philly units

By John Caulfield

PHILADELPHIA — Hechinger killed two birds with one stone last week when it decided not to take ownership of the leases on 14 stores in this market that were part of the 47 Bradlees Discount Department stores Hechinger had purchased from Stop & Shop Companies Aug. 16.

Not only will $35 million Hechinger paid for these stores be deducted from the $118 million price tag for the total acquisition, but when Bradlees stated it would continue to operate these stores, they were effectively taken off the market from other home center bidders.

The decision by Hechinger to cancel purchase of the Philadelphia store leases comes on the heels of its agreement to buy the six-store Triangle Building Centers, some of which are located around this market.

However, Hechinger's senior vp-finance Clark McClelland insisted in a telephone interview with *NHCN* that the Triangle acquisition didn't factor into the chain's decision to reject the Bradlees stores in Philadelphia.

(Continued on page 6)

Payless outlines its market plan to store management

By Gary S. Ruderman

KANSAS CITY, Mo. — The "7-Eleven" of home centers is changing.

In its search to boost contractor sales at its 193 units, Payless Cashways wants to shift its "convenience store" image among professionals by increasing its visibility in the field. At the same time, Payless management wants to be "more responsive" to the field.

Following a three-week road show by Payless chairman David Stanley and other company officials to explain the new market focus to Payless' store management, *NHCN* has learned that:

- Payless will add contractor desks, volume discounts in the future and at least two new employees to each store to concentrate on outside sales and coordination;
- Once "difficult" Payless buyers will be more responsive to the field;
- The chain plans to reallocate its fleet of some 500 delivery trucks and innumerable fork lifts around the country, sending unneeded equipment from less busy stores to busier locations rather than invest in new equipment, and;
- Payless has opened a lumber reload center in the Kansas City area for mixed orders and will continue its new strategy of buying from two-step distribution for most stores.

Stanley's field seminars gave "the overall picture but not the details," said one senior manager who attended but asked not to be named. "It's still up in the air," he said.

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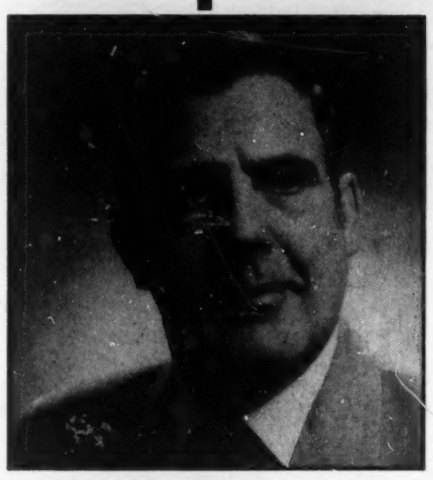
K mart elevates Denny, names new president of Builders Square



Glen R. Mielke of parent K mart will now serve as president of subsidiary Builders Square. Photo courtesy of K mart

By an NHCN staff editor

SAN ANTONIO, Texas — A K mart veteran of 25 years has been named president and chief operating officer of that retailer's subsidiary Builders Square.

As of Jan. 1, Glen R. Mielke will report directly to Frank Denny, who was promoted to chairman and chief executive officer of the 133-unit warehouse chain.

Prior to this appointment, the 53-year-old Mielke had held a wide range of positions for K mart, mostly in store operations. Since 1984 he has been K mart's vp-southwestern region in Euless, Texas. With his new position, he was also named a corporate vp.

At Builders Square, Mielke, according to a prepared statement, will be responsible for store operations, merchandising, marketing, distribution, transportation, construction and maintenance.

He was vacationing and was not available for comment at press time. Phone calls to K mart's vp-corporate affairs Bob Stevenson, to Builders Square's executive vp Jud Walford, and to Denny were

(Continued on page 60)

Lowe's plots moves into small- and medium-sized trading areas

By Edward McKinley

NEW YORK — Lowe's expects to enter seven new smaller and medium-sized markets next year, but will not venture outside its current 20-state trading area, company executives said Nov. 29 to securities analysts meeting here at the Grand Hyatt Hotel.

The store openings constitute part of a three-year expansion projected to double the chain's retail selling space to a total of nearly 10 million square feet, according to Greg Bridgeford, vp-corporate development.

Along with the expansion, the North Wilkesboro, N.C.-based company is continuing to perfect a consumer-oriented merchandise mix, a move that has already eased some short-term problems with lagging contractor sales and an 11.2 percent year-to-date drop in building materials margins, said Cliff Oxford, vp-corporate relations.

Lowe's is growing by expanding the stores' retail selling space to 60,000 square feet in larger markets and 40,000 square feet in smaller markets, rather than by adding many more stores. The decision came earlier this

(Continued on page 6)

Massachusetts' pending toxic waste bill scares manufacturers of treated lumber

By Milford Prewitt

BOSTON — A bill to control and ultimately remove toxic waste from the Massachusetts environment has been mistakenly interpreted as a State effort to ban pressure treated lumber, a sponsor and drafter of the legislation said.

Mike L'Ecuyer, a toxic policy analyst for the Massachusetts Public Interest Research Group (MPIRG), an influential civic action group, said the proposed measure, if passed, is intended to ban some chemicals that might be used to pressure treat lumber, but not the product itself.

He said the legislation has drawn the ire of a diverse mix of industries that have misinterpreted the intent of the bill. L'Ecuyer said he was aware of the arguments by lumber treaters, plastics manufacturers, metal fabricators, dry cleaning chemical producers and others that charge the bill would put them out of business in the state.

(Continued on page 60)

INSIDE

The Buying Decision

HOW YOU WIN, WHY YOU LOSE: To what extent is partnership possible between dealers and their vendors? That's the question addressed in a special section that explores retailers' opinions about what they look for when choosing one supplier over another. The section also presents four case studies of specific companies' buying strategies. The evidence shows that dealers view their relationships with vendors differently in almost every instance, and that the challenge for vendors is to tailor their programs more precisely for their individual customers.

NEWSBREAKS

SUPPLIERS AND DEALERS SEE EARNINGS SOAR: Strong quarterly and year-end income and sales were reported by several industry companies, led by Black & Decker, which achieved record figures for the year ended Sept. 25, and Wolohan Lumber, whose sales of $74.6 million and earnings of $3.71 million in the period ended Sept. 30 were quarterly records. Waxman Industries got its fiscal year flying with a 44 percent gain in sales and 25 percent increase in income in the quarter ended Sept. 30.

Perspectives

Section 2

The Buying Decision

How You Win; Why You Lose

THE BUYING DECISION:
In the new, competitive world of retailing, dealers strive for partnerships with vendors

With more shopping options available to consumers than ever before, retailers know that more than product and price are required to win loyalty.

Increasingly they are turning to vendors in search of partnerships in which both buyer and seller are involved with the marketing of merchandise. Many vendors endorse this approach; some may not. One of the industry's more astute retail merchandising executives had this observation about how vendors see the world:

Most vendors see the market as full of bananas, he said. All you have to do is peel it and eat. A few progressive companies see the market as a grapefruit, divided into sections, each with its own characteristics.

This may be a caustic, even exaggerated, view, but it is one that demands attention. This is a critical time for buyer/seller relationships as they have the potential to evolve into more complicated and productive partnerships.

Therefore *National Home Center News* has devoted this entire issue to a special report on the state of dealer attitudes toward suppliers.

Research culled from interviews with more than 150 home improvement retailers finds a relatively high level of dissatisfaction with suppliers' lack of knowledge about the companies they want to sell, and with the lack of authority on the part of most manufacturers' salesmen to go beyond the price-and-product pitch.

That pitch will be enough for some dealer accounts in these competitive times. But the vendor is more likely to "win" with dealers by providing specific programs tailored to that retailer's needs. In addition, by offering these value-added services, the vendor is more able to justify the price he wants for the merchandise he's selling.

To support the research, *NHCN* also conducted interviews with the buying staffs of four very different companies: the 3,700-member ServiStar hardlines co-op; the 170-unit Channel Home Centers; Liberty Distributors, the industry's largest wholesaler marketing organization, and one of Liberty's distributor-members, Farwell, Ozmun & Kirk (which recently merged with the CoastAmerica buying group); and the three-store Supply One.

The mechanics of negotiating with and selecting vendors and their products was explored in each company, with the results showing marked differences in their respective levels of buyer autonomy and the willingness to strike partnerships with suppliers.

Yet, in its own ways, each company is pursuing partnership. For example:

- ServiStar is meeting a particularly intricate challenge in achieving partnership because it is in a triangular relationship that includes its members, vendors and itself.
- At Channel, buyer-seller relationships are viewed as adversarial by nature. Therefore, while long-term relationships are desirable, the company feels that perhaps only "limited partnership" can be achieved.
- Liberty specifically sees itself in the role of buyer-seller matchmaker and recently inaugurated an annual conference specifically intended to build partnerships between wholesaler members and suppliers.
- Supply One reveals that while partnership may be more difficult with a small company, it is not impossible.

The overriding message contained in the research and case studies is that vendors need to do a better job investigating what their dealer clients actually need to be profitable, and present programs that solve problems. The consensus among dealers and wholesalers is that any vendor can offer price, but only a cherished handful are considered to reach the next plateau of "partner."

Partner or adversary? Vendors and dealers still not sure

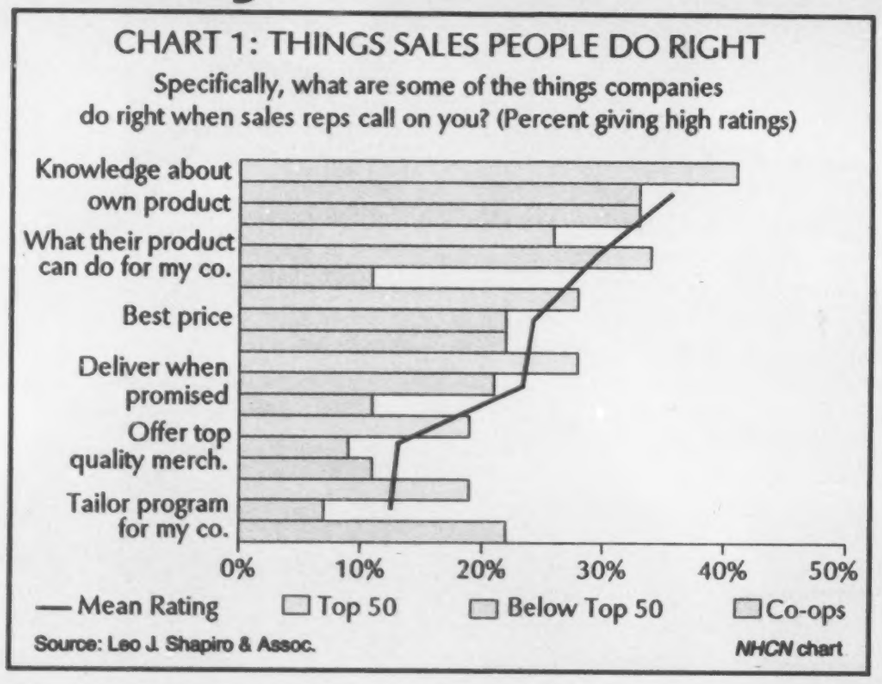
By Ken Schept

NATIONAL REPORT — After 6,000 years of human history, adversarial relationships are slowly being recognized as less productive than cooperative ones, even among the international superpowers.

If partnership is possible on that level, it must be a piece of cake between the home improvement industry's buyers and sellers, right?

Wrong.

Vendors have long complained of being exploited and hammered by overaggressive buyers. Now, in a new study about buying practices in the home improvement industry, buyers retort that suppliers are typically unprepared when making sales calls. They say sales people can often discuss price and sometimes distribution but usually fail to appreciate a retailer's specific needs and fail to offer appropriate programs.



The study, called "The Buying Decision: How You Win; Why You Lose," was completed for *National Home Center News* by Leo J. Shapiro and Assoc. It is based on extensive telephone interviews with 153 home center and hardware co-op buyers from 126 different companies, including 33 of the top 50 companies and seven of nine co-ops.

The study also found that:

- Vendor approaches to selling can be classified according to four types that range from a pure price focus to an appreciation of partnership;
- Vendors can win using any of the types, as long as it's compatible with the buyer's expectations;
- However, a vendor's chances of success are usually increased when its presentation goes beyond price and distribution issues.

Buyers have good things to say about vendors, too. They offer a long litany of things they believe manufacturer's salespeople generally do well (*See Chart 1*). Most retailers, regardless of company size, report that vendors do a good job when it comes to knowing about their own products and offering quality merchandise at a good price with reliable delivery.

More good news for vendors is that retail buyers are able to distinguish between the quality of service received from various vendors and give credit where they feel it is due.

Larger retailers, in particular, seem inclined to recognize differences in quality between vendors. The greater number of vendors serving these retailers might make variations in service level more apparent. Almost two thirds of buyers from companies reporting more than $100 million in annual sales perceive substantial differences in quality among their vendors.

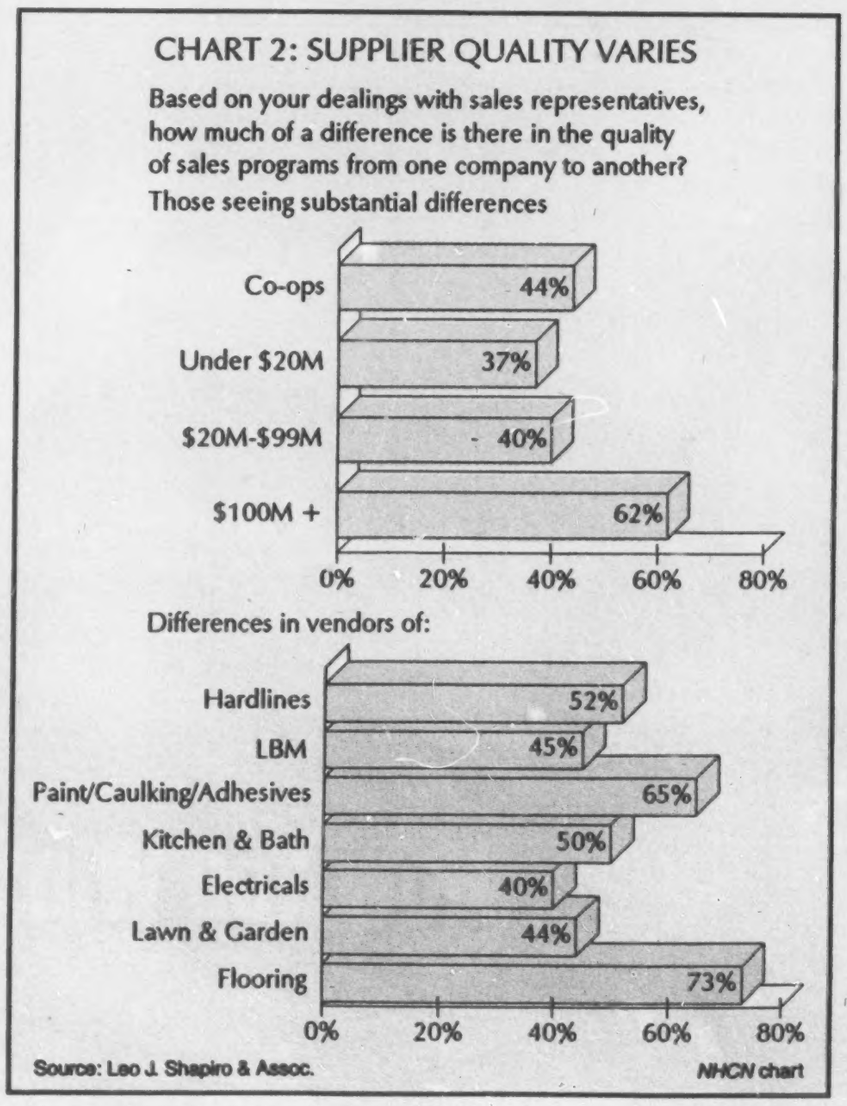
Retailers, in general, see the greatest contrasts in service quality among vendors of flooring and those who offer paint. The response may be due to the number of manufacturers in those categories (*See Chart 2*).

While recognizing instances of vendor quality, retailers strongly feel that suppliers too often fail in the same critical area—preparation.

More than three quarters of the buyers said that their suppliers are either often or occasionally unprepared during a sales call (*See Chart 3*). This situation is most acute at the largest companies, which again might be a function of the greater number of suppliers that call on those firms.

The level of unpreparedness becomes especially clear when considered on the basis of product categories. Roughly 40 percent of buyers of hardlines; paint, caulking and sealants; and kitchen and bath say that suppliers in those areas are at least occasionally unprepared.

The reason for this general lack of preparation might come down to peo-



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SUPPLY ONE: *Despite small size, this three-unit chain still seeks vendor-dealer partnerships* 50

HOW YOU WIN . . .
What are some of the things supplier sales people do right when working with you?

"They understand our business. They go to our stores and see how we market our merchandise. They tailor a program to fit our needs. They have to be priced so that when we put it on the market, it will be competitive."
—Buyer from home center ranked among top 50

"They should be knowledgeable about the marketplace and how their product fits. They should research my company and know who my customers are."
—Buyer from home center ranked below top 50

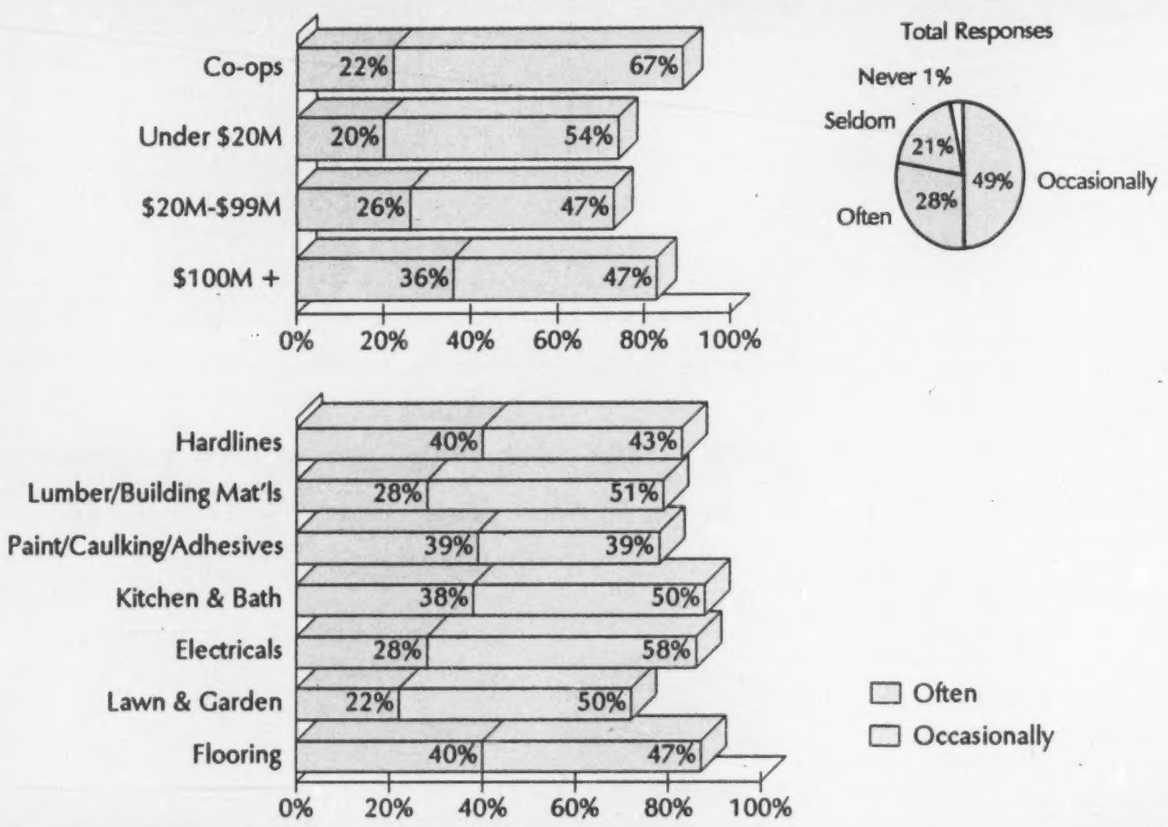
. . . WHY YOU LOSE.
What are some of the things supplier sales people do wrong?

"They are inflexible. They do their program one way, and that is it. You conform to them."
—Buyer from home center ranked among top 50

"Sometimes we are excluded from a lot of information because we are a small company. They don't send out information about specials, promotions, or new products on the market."
—Buyer from home center ranked below top 50

CHART 3: MOST SUPPLIERS ARE OFTEN OR OCCASIONALLY UNPREPARED

How often would you say that sales reps are not adequately prepared to work effectively with you?



Source: Leo J. Shapiro & Assoc. *NHCN* chart

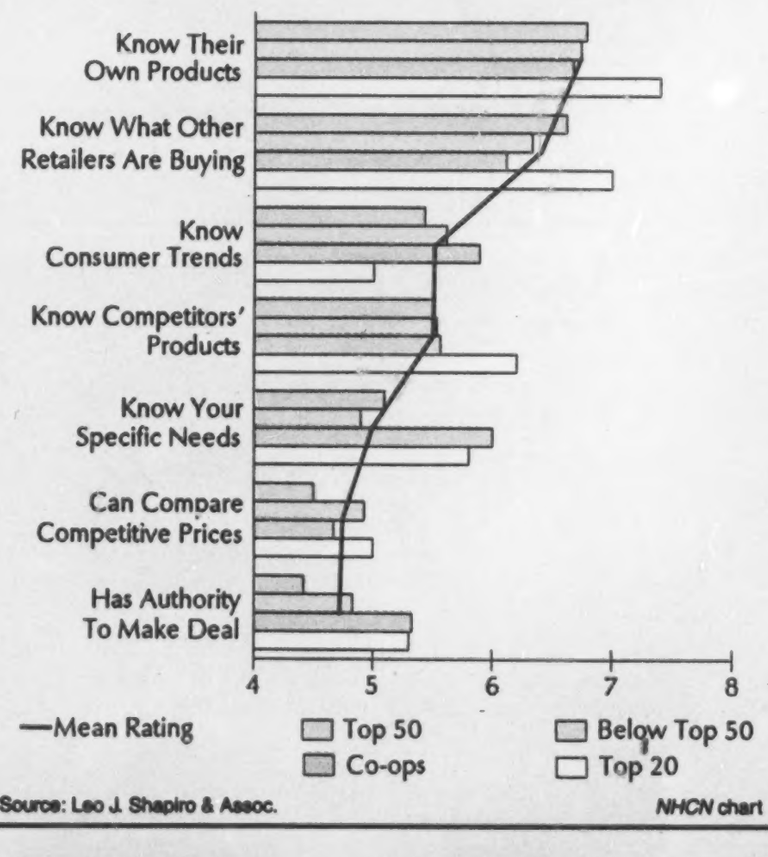
CHART 4: LEVEL OF VENDOR PREPARATION VARIES

On the whole, how well prepared are the sales reps you deal with in the following situations?	% rating well prepared
How well they know their own product	65%
Knowledge of what other retailers are buying	61
Awareness of new products on market	56
Bringing samples	51
Ability to answer most questions	45
Assisting with reorders	42
Knowledge of consumer trends	41
Commiting to delivery dates	40
Planning promotions/ads	37
How well they know competitors' products	34
Knowing your specific needs	33
Planning merchandise displays	33
Market research	28
Authority to make commitments	24
Comparing competitive prices	23

Source: Leo J. Shapiro & Assoc. *NHCN* chart

CHART 5: HOW WELL PREPARED ARE SALES PEOPLE?

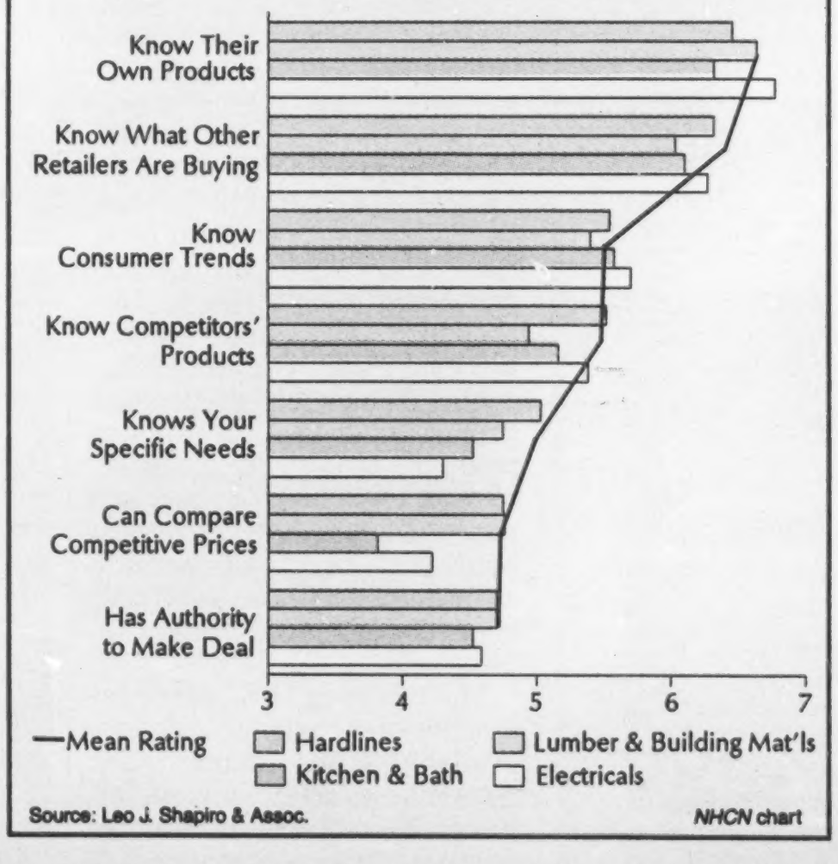
Ranked 1 - 9 by Company Size; 9 Being Most Prepared



Source: Leo J. Shapiro & Assoc. *NHCN* chart

CHART 6: HOW WELL PREPARED ARE SALES PEOPLE?

Ranked 1 - 9 by Product Category; 9 Being Most Prepared



Source: Leo J. Shapiro & Assoc. *NHCN* chart

CHART 7: IMPORTANCE OF SALES PLANNING

Here are some things mentioned by other buyers. How strong a card is this in a sales rep's hands when he is working with you?	% rating it important
LEVEL 1: PRICE	
Volume Discounts	79%
Promotional Pricing	78
LEVEL 2: DISTRIBUTION	
Shipping Dates	75
Provision for Reorders	75
Billing Dates/Terms	69
Buybacks/Credit for Slow Merch.	66
Centralized/Decentralized Shipping	26
LEVEL 3/4: ASSISTING WITH	
SALES PLANNING	
Display and POP Materials	65%
Coordination with merch. program	60
In-store detailing or sales training	50
Co-op ad allowance	48
Paperwork	46
Modified labeling or packaging	31
National advertising program	31

Source: Leo J. Shapiro & Assoc. *NHCN* chart

Vendors, dealers work for mutually beneficial relations

ple and training. A vendor field sales position, in many instances, could be an entry level slot occupied by a person with limited industry experience.

Don't know retailer needs

In any case, the consequence of this condition is fairly clear: at best, unprepared vendors will face cranky buyers who feel that their time is being wasted. "Time is the most serious problem," said one buyer whose comment was typical. "If they are not prepared, it wastes my time setting up new meetings, and time is my most valuable commodity."

According to buyers, the level of vendor preparation varies according to what's being asked of them. For example, two thirds of buyers say that suppliers are well prepared when it comes to knowing about their own product or what other retailers are buying. On the other hand, buyers think only about one third of vendors are well prepared when it comes to knowing a customer's specific needs. And only a quarter of buyers give vendors high marks for being prepared with authority to make a deal (*See Chart 4*).

Indeed, one of the most striking characteristics of the buyer-seller relationship pointed out in this study is its inequality. Generally, buyers or the general merchandise manager have the authority to cut a deal while the manufacturer's sales person is unable to close without consultation.

One gmm at a large chain views this inequality with skepticism. He sees this condition as basically a vendor defense mechanism. When the pressure is on for a decision, the vendor representative can just say, "I'll get back to you." This gmm says he counters what he perceives as a vendor gambit by handing the sales person a telephone and suggesting that he phone his boss.

In general, retailers, regardless of their size, agree on just how prepared or unprepared manufacturers are in answering a variety of needs (*See Chart 5*).

However, the buyers who feel best served by their vendors are those from the largest companies. The buyers of top 20 companies give vendors higher scores for preparation.

(Continued on page 14)

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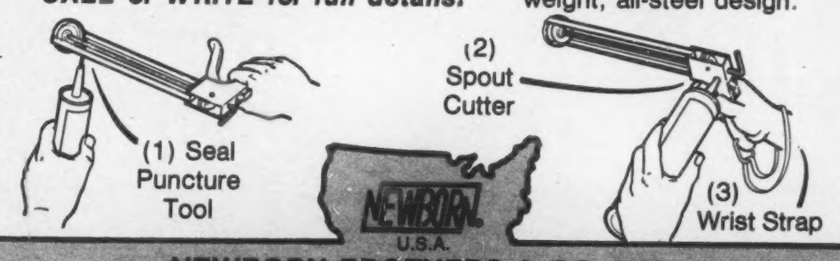

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The Buying Decision

RESEARCH

Buyers prefer vendors who can develop merchandise programs

(Continued from page 14)

But those issues are basic to any buyer-seller relationship. In today's business environment where sellers attempt to differentiate themselves by offering advantages beyond the basics, the value-added sales planning services, which characterize Level Four, become increasingly important.

By offering these other services, the manufacturer may be better able to secure the price he needs for his product. Indeed, 60 percent of buyers place strong importance on the ability of a vendor to develop a merchandising program in coordination with a retailer.

In particular, buyers of lumber and building materials, kitchen and bath products, flooring and electricals note important purchasing considerations other than price and distribution. Electrical buyers expressed the strongest interest in having manufacturers coordinate their merchandising programs with the retailer.

Searching for partnership

That a supplier will offer the right price along with effective distribution are basic assumptions of the buyer-seller relationship. Alone they are not always strong enough to win a supplier business. The approach fails when it doesn't meet either a competitor's offering or simply the buyer's expectations.

In fact, when buyers were asked to recall an instance where a supplier succeeded in gaining substantial business, having the best price was secondary to the supplier's well-prepared, thorough presentation of his program. Similarly, buyers said that knowledge of a store's specific needs was more important to a vendor's success than information about shipping dates.

Buyers of the following categories said that the most important vendor attribute was a thoroughly presented program: paint/caulking/adhesives; kitchen/bath; electricals; and lawn and garden (*See Chart 8*).

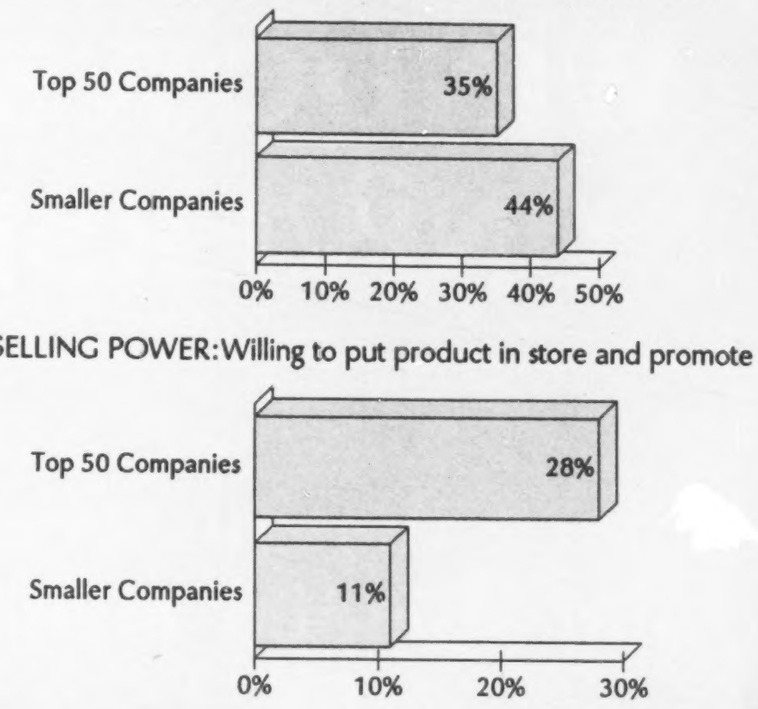
Paint/caulking/adhesives buyers placed equal importance on vendors knowing their specific needs. Immediately next in importance for these buyers was price and shipping information. These findings seem logical for a category where heavy competition dictates sharp pricing and success requires differentiated programs.

Both buyer and seller

Buyers from larger companies seem more likely to be expecting relationships with suppliers in which the vendor helps prepare a tailor-made program. These buyers see themselves as not only "buyers" of a supplier's products, but also "sellers," in the sense that their mission is to move a vendor's product through the store to the consumer (*See Chart 9*).

When both buyer and supplier interpret their roles more broadly—with buyer also acting as seller and seller functioning as promoter—then a merchant partnership emerges. This study suggests that the industry is only part of the way there. A little *perestroika* wouldn't hurt.

CHART 9: BUYING POWER/SELLING POWER
What do you bring to the table when meeting a sales rep?



Source: Leo J. Shapiro & Assoc. NHCN chart

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The Buying Decision

RESEARCH

Buyers view themselves as the guardians of company reputation

By an NHCN staff editor

Buyers share a point of view about their jobs that suppliers need to understand in order to win: the most important thing to buyers is product quality.

They see an average of 12 vendors a week, and in each encounter the buyers consider themselves guardians of their company's reputation among its customers. Buyers see their most important function as choosing products for their quality and consumer appeal.

The intensity of concern with quality varies among buyers according to the product categories they cover. Not surprisingly, it is most acute among buyers of hand and power tools—where the durability of imports may be a factor—as well as potential liability problems.

Lumber, where strength and appearance are critical, is another category where quality is of particular importance to buyers (*See Chart 10*).

The corollary to a buyer's concern with allowing only quality merchandise into the stores is the fear that too little merchandise will flow through the distribution channel and shelves will be empty.

These two priorities—assuring product quality and adequate supply—protect the stores against two potentially debilitating situations: injuring a customer and being open for business with nothing to sell.

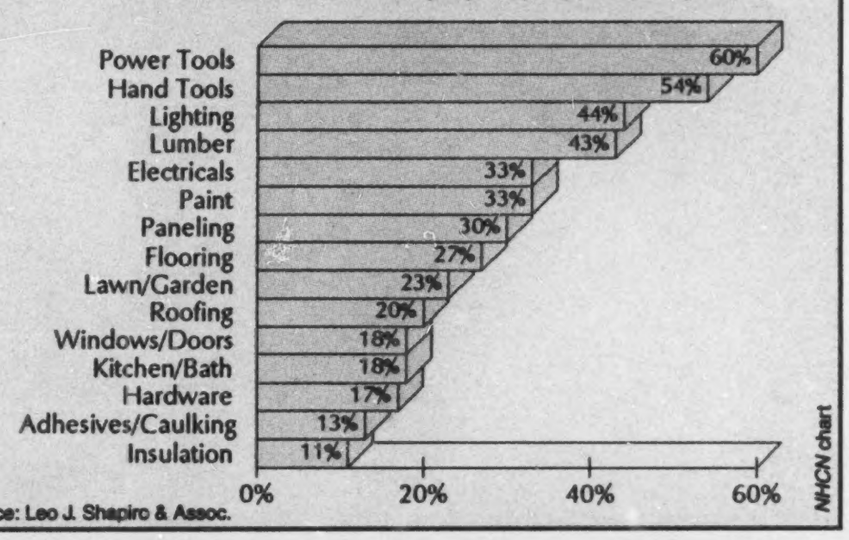
The corollary to a buyer's concern with allowing only quality merchandise into the stores is the fear that too little merchandise will flow through the distribution channel and shelves will be empty.

Still, for a business to grow, a buyer needs to be willing to take risks and to expand the number of vendors with which he does business.

Buyers at larger companies are more likely to spend time with new vendors than are their colleagues at smaller operations. About half of the vendors seen each week at the 20 largest companies in the industry are not current suppliers, compared to only one quarter of the vendors seen weekly at the rest of the industry's retailers (*See Chart 11*).

CHART 10: QUALITY IS BUYERS' FIRST CONCERN

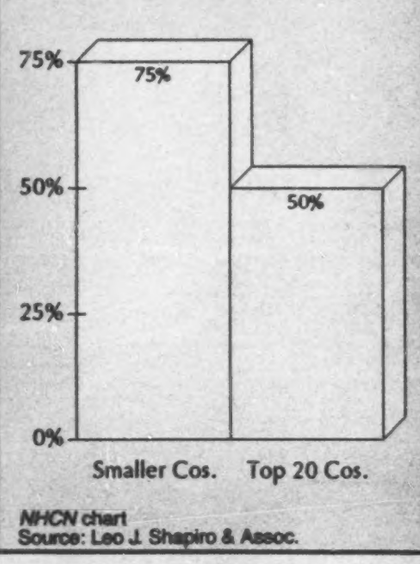
If a buyer is going to be successful with (product category), what's the one thing you really have to be careful about? (Percent who answered, "Being a good judge of quality")



Source: Leo J. Shapiro & Assoc.

CHART 11: OPENNESS TO NEW BUSINESS

The average buyer sees 12 suppliers per week. Of the companies you see each week, how many are incumbents?



Source: Leo J. Shapiro & Assoc.

Larger companies may have a more acute need for new merchandise possibilities, which may account for the inclination to see potential suppliers. They definitely have more buyers. The top 20 companies have a mean of 15 buyers each, while overall the mean for the industry is 7 buyers per company.

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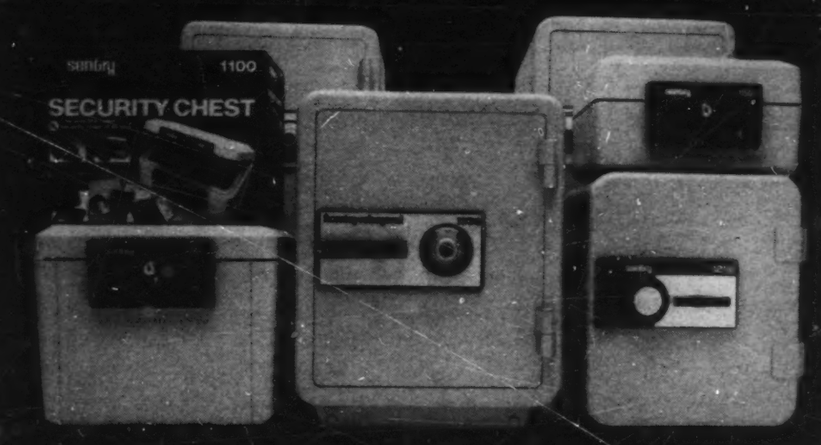

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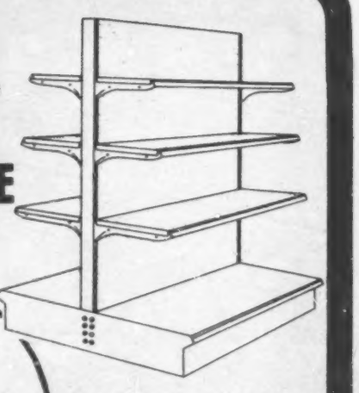

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Scan-Tech addresses problem of bar coding lumber

(Continued from page 5)
minals, according to Moore. The missed opportunity could be recouped with coming and present technology.

Lumber can be inventoried and priced at the receiving station with one hand-held unit. With a new voice data system, subjective evaluations of the shipment can be made. And with the perfection of radio frequency (RF) technology, these data can be sent to a computer without the need to "plug in."

No cost increases

Overall, hand held scanners and data entry terminals have "exploded" with capabilities while costs increases lagged, explained Moore. Some systems have actually gone down in price, said Bob Goodman, a division sales manager for LXE, a Georgia-based system maker for warehousing. Five years ago, an LXE laser bar code reader and RF terminal cost $6,000; today the pair costs about $3,000.

Today's technology puts the equivalent of a personal computer in the palm of one's hand. The hand-held Telxon PTC-730, and others, can be configured with as much as four megabytes of random access memory and MS-DOS capabilities.

Julie Ganim, manager of marketing services for Telxon, Akron, Ohio, said the unit, ranging in price from $1,200 to $4,000, can inventory an entire store or multi-units with storage to spare. This includes the capability to transmit information in even the noisiest warehouse.

In addition to reading bar codes into a hand-held unit, voice information can be recorded, too.

Vocollect of North Versailles, Pa.; Westinghouse; Burr Brown and a host of other vendors showed voice data links. The user can tell the hand-held collection device in his or her own words (within a limited vocabulary) if, for example, a pallet of lumber was rotten or broken at one end.

The cost runs close to $10,000 for the system.

There will be more visible laser diode scanners on the market next year, Moore of AIM said. In the past, wand and checkout readers almost had to touch the UPC barcode labels. And there was still the nagging problem of a pass-through panel not reading off-color bar codes.

The visible laser diode readers solve many of the non-carbon, off-color reading problems and are cheaper and lighter than state-of-the-art helium neon beam.

The trade off is distance: visible laser diode readers are most effective at between five and 20 inches, depending on how clear the bar code is.

Helium neon beams can reach three to four feet for a warehouse application. "But they're power hogs," quickly depleting battery packs, quipped one vendor.

And scanning printers have advanced to the point where a 1x2 inch tag can contain as much information as a 3x5 inch tag. The so-called stacked symbologies are part of Code 16K and Code 49 protocols, which should gain more market use next year, Moore explained.

Bill scares manufacturers of treated lumber

(Continued from page 1)
Called the Toxic Waste Reduction Act, the proposed legislation attempts to mirror a law passed earlier that seeks to remove some pesticides from consumer use. The bill would establish an agency to facilitate phasing out of some 1,900 industrial chemicals deemed hazardous to health and the environment.

Alternatives encouraged

These substances are included on Massachusetts' Toxic Substance "Right to Know" List. Chromium copper arsenate (CCA), the principle substance used to treat lumber, is not on the list, but each of its component chemicals is included, said Michael Finney, spokesman for the Department of Public Health's Right to Know Office.

L'Ecuyer said the law would encourage industry to find alternative substances to replace the toxic materials currently in use. At the same time, the measure would set-up a battery of educational programs and lend support to help industry convert to the use of new products.

The bill wouldn't affect what retailers sell. But if it becomes law, manufacturers would have to provide the state with an audit of the chemicals currently in their inventories and a plan for substance reduction. Industries would have two years to convert after the bill becomes law, but certain waivers would be extended on an individual basis.

"This is a market approach and it will lead to good, healthy competition," L'Ecuyer said. "[But] all people seem to key in on is the phase-out aspects of it.

"It's too bad it is so misunderstood."

Despite L'Ecuyer's support, the Southern Forest Products Association (SFPA), the Society of American Wood Preservers (SAWP) and some major wood chemical suppliers, such as Koppers, find the measure a poor way to clean the environment and potentially damaging for treated lumber consumption.

"The Environmental Protection Agency did a seven-year review of CCA and reached the conclusion that it can be used in good harmony with the environment," said a perplexed Bill Baldwin, manager of customer and technical services for Koppers, the Pittsburgh-based licenser of the Wolmanized Pressure Treated chemical.

Once CCA has fused with the wood fiber, Baldwin said, there is no risk from pressure treated wood.

But despite the EPA's endorsement, Finney said the EPA is just one of 10 sources the Massachusetts Department of Health used to compile its carcinogenic substances list.

"I'm not trying to minimize the fear people have about toxic substances," said George Eliades, president of the SAWP, "and it's important that people know to handle chemicals properly, but this legislation is really a serious threat to pressure treated wood consumption.

"They are talking about phasing out chemicals that this industry depends on."

General Business Products expanding

(Continued from page 5)
Cabinets for an 18-foot kitchen begin at $899, with appliances available for $999.

The company has sold kitchens that cost more than $40,000, but average tickets for cabinets, uninstalled, run $4,500. One kitchen display includes a $4,500 granite countertop and a tile countertop of the sort popular in the West.

General provides financing through a financial institution, including a deal that can be negotiated with no interest for a year. The company keeps 14 installers on the payroll, in addition to the 18 designers.

"I trained on the job for three months before I started to have hands-on sales ability," said Suzanne Ketchum.

A design computer in Medford supplies FAX copies of plans to all of the stores.

The company also plans a 25,000-square-foot kitchen and bath warehouse, scheduled for completion this month in Medford.

Along with kitchen and bath, the company emphasizes another big ticket sale: doors and windows.

At Bethpage, the store's small size limits the millwork department to 11x17 feet, or less than 200 square feet.

Just the same, the company built a display that includes 18 windows, six double doors and one skylight. The company sells five brands of windows.

General is also rebuilding the retail store in Medford after a fire. It expects to reopen a 12,000-square-foot store there in March.

In Manahawkin, N.J., the company is building a kitchen and bath showroom next to a store purchased last summer.

The two other recently purchased New Jersey stores will also receive kitchen and bath showrooms, Meltzer said.

K mart names Denny chairman of Builders Square

(Continued from page 1)
not returned.

This appointment appears to be K mart's attempt to take more of a hands-on approach to managing its mammoth warehouse operation, even though a K mart spokesperson, Leslie Kota, thought Denny received a vote of confidence in his appointment to chairman.

"With the growth of our Builders Square subsidiary, we felt it necessary to give added strength to this fast-growing division," said Joseph Antonini, K mart's chairman, in a prepared statement. "It will allow management to become more involved in the refinement of operations."

For its size, Builders Square's management has been extremely lean, with essentially three men—Denny, Walford and executive vp Frank Powers—running the show. Mielke's arrival could spell new duties for the latter two officials, as Walford is relinquishing the coo post.

Mielke comes onto the scene at a time when Builders Square's growth has been curtailed. This year it has added 15 stores, about half the number it grew by in 1987. Denny has said publicly that the chain would be modestly profitable for the first time in fiscal 1988, its fifth year in operation.

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A Special Industry Report

CONFRONTING HOMELESSNESS

The image of the homeless has almost always been muddled by stereotype. Most people continue to envision a scraggly, jobless, often mentally deranged bag person, wandering the streets aimlessly, alternately mumbling or shouting to himself in between bouts with the DTs or drug withdrawal.

Serious thought about the problem's root causes often has been drowned out by glib commentary. Former Attorney General Edwin Meese mused, in all seriousness, that homelessness was a matter of choice. Real estate tycoon Donald Trump was quoted as stating that the solution to homelessness was beyond the pale of developers such as himself. An executive with Bergdorf Goodman in New York compared the homeless parked in front of his department store to beggars in Calcutta.

But what once was seen as an aberration or a target for scorn has become a crisis. There are now anywhere from 350,000 to 3.5 million homeless across the nation, with some experts projecting that number soaring to 18 million in 12 years, the equivalent of 7 percent of the current U.S. population.

Obviously, all of these people can't be insane, inebriated or addicted. In fact, a growing segment of the homeless are working poor unable to keep up with the steadily rising cost of housing, particularly in urban centers. Families with children made up one-third of the homeless population in 29 cities surveyed in 1987 by the U.S. Conference of Mayors.

National Home Center News examines the issue of homelessness as it is perceived by home improvement dealers, suppliers and contractors. We found that many in the industry are genuinely concerned about this problem, and builders in particular have been laudably active in raising money and renovating shelters and homes.

However, the industry—as a body whose umbilical cord is housing and the policies affecting it—has been surprisingly inattentive to homelessness, either out of frustration with the sheer magnitude of it, or because dealers and suppliers are convinced the industry is better suited to address other, more pressing issues.

There is a growing consensus, though, as we head into 1989 that the homeless problem isn't going to solve itself without widespread activism by individuals, industry and government. The tragedy has shaken more dealers and suppliers to investigate ways to contribute materials and money to organizations aiding the shelterless.

—John Caulfield

Stories begin on page 15

Poverty amid plenty: a homeless man, barefoot and carrying all his worldly goods in two plastic bags, stands alone in a crowd on a southern California street. At left, homeless people last year lived in a tent city on Venice Beach, Calif. Although technically squatters, the Venice Beach police department and city council left the homeless alone because the city had little else to help them with. Photos by Ron Eggers

Dealers cautious in giving charity

By Edward McKinley

NATIONAL REPORT — When a man from one "charity" solicited a Midwest home center, he neglected to say the "unfortunate old woman" he wanted to help was his wife.

Scams like these account for only a small portion of the pleas for charity made to home centers. But they underscore the need for caution when doling out contributions.

The sheer volume of requests, averaging from one to five a day and increasing at most chain headquarters, complicates the problem of determining the most deserving recipients, home center operators said.

"What's happening," said Pete Kulynych, a board member of Lowe's, "is when the government money slowed down, there were a lot more requests."

Various companies have responded to the onslaught by appointing committees, naming headquarters charity czars, leaving the decision to store managers or getting hourly employees involved.

In sifting through the never-ending list of charities, home centers generally prefer contributing either to "name" causes, those that relate in some way to their businesses, or those that directly affect their market areas.

For example, the three-store Star Lumber in Wichita,

(Continued on page 4)

Builders Square shuffles its merchandising assignments

By Brad Altman

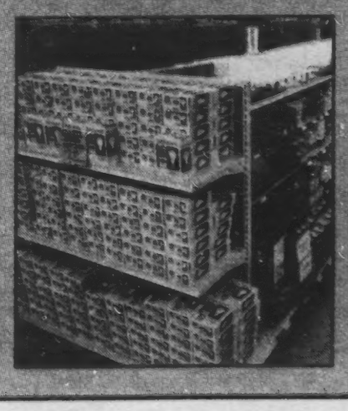
LOS ANGELES — Builders Square, the San Antonio, Texas-based warehouse chain, has shuffled assignments in its merchandise department and eliminated 5,000 stock-keeping units as part of an effort to "attract the female shopper."

Joseph E. Antonini, the chairman of Builder Square's parent K mart, told financial analysts here this month that the 133-unit chain is also "adding more decorative merchandise." He did not elaborate on which items were added or deleted from the chain's inventory mix.

(Continued on page 38)

INSIDE

Solar lighting products heat up outdoor, low-voltage category 25



Consumers made brighter by lightbulb manufacturers' displays 25

NEWSBREAKS

ECLIPSE DOWN TO ONE STORE: The St. Louis-based owner of B&B Home Supply shut its St. Ann, Mo., unit Dec. 6. That leaves only the store in Arnold, Mo., for Eclipse, which is currently in Chapter 11. A bankruptcy court would decide on Dec. 19 if Eclipse should receive any more funding from its lender bank, which has been pumping money into the stores since the summer. "We are funded [through] Dec. 20," said Eclipse attorney Stuart Radloff. "What happens beyond that is anyone's guess."

INDUSTRY UPDATE

Judge sets date to hear unfair trade charges against Makita

SEATTLE — A U.S. District Court Judge has slated a May 1989 trial to decide charges of unfair and disparaging competition against Makita USA and Makita Corp. of America, according to court officials.

Judge John C. Coughenour in Seattle dismissed one of six charges against Makita brought by Trade Associates, Inc. of Kent, Wash. Coughenour then set a trial date for May 15.

In its $22.8 million claim against Makita, Trade Associates claims that Makita attempted to stop retailers and wholesalers from choosing the Trade Associates' lines and that Makita mislabeled products so as to lead consumers to believe products were American made.

Makita counsel Gerald Margolis was contacted and declined to comment further about the trial.

Wickes sells its credit card subsidiary to company execs

SANTA MONICA, Calif.—Wickes Cos. said it will sell WCI Financial Corp., its credit card subsidiary, for about $300 million, to a corporation to be headed by two company executives.

The deal was set to close Nov. 30 and is separate from Wickes' previously announced acquisition by Blackstone Capital Partners L.P. and Wasserstein, Perella Partners L.P. (*NHCN*, Nov. 14).

WCI Financial provides private-label credit card programs for retail furniture stores including Wickes Furniture. WCI president James E. Neese and Wickes vp-treasurer Ervin J. Bolks organized the purchase.

O'Malley reorganizes to focus on construction-related sales

PHOENIX — A reorganization of the O'Malley Cos., whose retail division operates 11 Building Materials Centers in Arizona and west Texas, will emphasize the company's focus on construction-related activities.

E. V. "Ted" O'Malley, president of the three-division business based here, said that the O'Malley chain of retail stores will continue to sell consumers as well as professionals, although "our long-term plan is to emphasize builders and industrial accounts."

In the short-term, he elaborated, O'Malleys has no plans to change the retail store's merchandise mix. O'Malleys operates retail, wholesale and contract-manufacturing divisions.

New York investment group renews negotiations for Lloyds

STAMFORD, Conn.—Kidder Peabody, the New York-based investment group, is once again negotiating with American Maize Products to purchase its subsidiary, Lloyd Home & Building Centers.

Maureen Bailey, vp-public affairs for Kidder Peabody, said the company "was acting as financial advisor to an investor group" but declined to elaborate further because negotiations were still underway. (As of press time, Kidder Peabody still had no comment.)

Cynthia Brighton, spokesperson for American Maize Products, said the company, based here, stood by its Sept. 8 press release, which announced an offer from an unidentified investment group to acquire all of Lloyd's net assets for a price of $25 million in cash. This offer was subject to adjustment and the negotiation and execution of a definitive purchase agreement.

TAPJAC president named to sit on board of wholesale co-op

CARTHAGE, Mo. — Bill Putnam Jr., president of the 14-store TAPJAC Home Centers, was elected to his first three-year term to the board of Hardware Wholesalers, Inc. (HWI). TAPJAC has been a member of HWI, a Fort Wayne, Ind.-based co-op distributor, since 1971.

Putnam, a member of the National Home Center Leadership Council, also announced the opening of the chain's 15th store in Golden, Mo. TAPJAC operates in Missouri and Arkansas.

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Zarkin to join newly spun off HomeClub in unnamed capacity

By an NHCN staff editor

FULLERTON, Calif. — Zayre Corp.'s restructuring move, in which it has spun off its warehouse chains HomeClub and BJ's Wholesale Club into a new company, will not change HomeClub's operations at headquarters here, company officials said.

Local management headed by president Sean Lee will remain in place, although the newly created warehouse company's leadership will include former HomeClub president Herb Zarkin.

After three months as executive vp of 348-unit Ames Discount Department Stores in Rocky Hill, Conn., (*NHCN*, Oct. 3), Zarkin has returned to Framingham, Mass., where Zayre is based.

At press time, Zarkin told *NHCN* his job title and assignment in the warehouse clubs company had not been finalized, but he will occupy a "full-time senior position."

For the third quarter ended Oct. 29, Zayre's warehouse clubs division posted $9.6 million in operating income on $414.4 million sales. The division consists of HomeClub, a 46-unit home improvement warehouse format, and 22-unit BJ's, which sells food and general merchandise.

The newly formed company, which remains unnamed, will be headed by president and ceo John Levy, formerly group officer in charge of the warehouse clubs division of Zayre.

Until last August, Zarkin was president of HomeClub. He transferred to Zayre headquarters to head its discount store division. Two months later the division was bought by Ames Department Stores. In early December, Ames said it would close 77 unprofitable stores after the winter holidays.

In a related move, Zayre is merging with its 83 percent owned subsidiary, TJX Companies, which consists of TJ Maxx, Hit or Miss and Chadwick's of Boston. When the merger is completed Zayre will change its name and company chairman Maurice Segall is expected to step down, but remain a director.

HomeClub's ad agency switches to major rival

By an NHCN staff editor

FULLERTON, Calif. — Like a bad dream come true, HomeClub officials woke up one morning early this month to learn that their advertising agency had dropped them and switched to a major rival—The Home Depot.

Jack Roth, the president of Admarketing, said his Los Angeles-based ad firm would honor its existing contract with HomeClub through January and then change its affection and attention to the Atlanta-based chain.

HomeClub president Sean Lee said, "We'll review other agencies," but declined additional comment on the move. *The Los Angeles Times* reported that the 46-unit HomeClub's annual ad budget is about $15 million; the 92-unit Home Depot's account is said to equal $25 million.

Roth said his firm would represent The Home Depot nationally with the exception of a small portion of the country that would continue to be handled by the Depot's current agency, Atlanta-based M. Finkel & Associates.

Roth said "the number one consideration" in moving to Home Depot is that it is a "bigger account and makes economic sense." He said he has known Home Depot chairman and ceo Bernard Marcus since the 1970s, when his firm worked with Marcus during his tenure with the Handy Dan and Angels home-improvement chains.

(Continued on page 38)

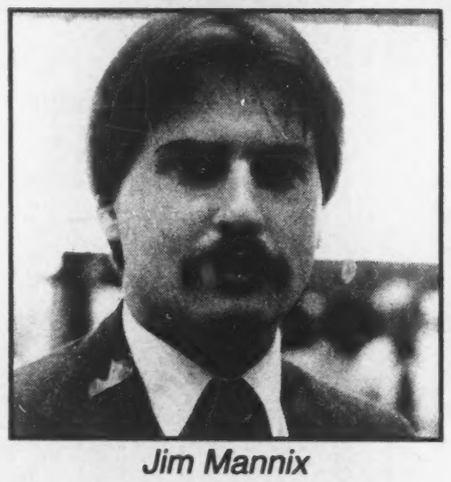
Chase-Pitkin hit by deaths of two execs

By an NHCN staff editor

ROCHESTER, N.Y. — Chase-Pitkin was struck by the untimely deaths of two long-term executives last month.

Roger Anderson, director of distribution and special projects manager, died Nov. 10 after a two-year battle with cancer. Only one week later, Jim Mannix, the chain's director of merchandising, died unexpectedly from heart failure.

The two men were 12-year veterans with Chase-Pitkin.



Jim Mannix

Roger Anderson

"Both of these men were very important in the development of Chase-Pitkin and will be missed both professionally and personally," said the company's president, Steve Underwood, in a prepared statement.

Anderson, 51, who served part of his career with Chase-

(Continued on page 38)

Council urges worldwide DIY marketing

By an NHCN staff editor

LINCOLNSHIRE, Ill. — Earlier this year, following a rash of home fires in London, U.S. manufacturers of battery-operated smoke detectors were besieged by the rise in demand for their product in the U.K., to the point where their inventory was virtually wiped out in 14 days.

"We had calls looking for 5,000- and 10,000-unit lots. They didn't care what the price was," explained Jack Gillis, export sales manager for Jameson Products, Dallas.

That example, while extreme, points up the kind of potential for exporting to Europe and Asia available to U.S. suppliers. And this was the focal point of a recent seminar conducted by the Worldwide DIY Council.

However, while council members heard of the possible export opportunities, they also heard that U.S. economic problems continue to obscure a rosier export picture.

Earl Johnson, vp of Chicago's Harris Bank and a foreign currency expert, told the audience here on Dec. 1 he anticipated slower U.S. GNP growth through 1989, with 4.5 percent inflation combined with a peak in interest rates within the next 90 days. U.S. exports could slow, he believes, as manufacturing is constrained by meeting the demand of domestic markets.

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Perspectives

THE HOMELESS

As problem worsens, retailers ponder industry's role

By *NHCN* Staff

NATIONAL REPORT — Walt Benney, manager of Cash Bargain Lumber in Kansas City, Mo., admits that he used to be a "love-and-peace, '60s-type hippie."

But that was before some homeless projects in which his company participated backfired when an unscrupulous contractor misspent construction funds aimed at rehabbing dilapidated housing. Benney's altruism soured further when homeless people damaged houses Cash Bargain Lumber helped restore.

"I wish I could be more upbeat," Benney said. "But this is a problem that is going to take a long and serious effort. As a building materials retailer, I really don't think there is anything I can do to help solve such a complex, social problem."

But David Stanley, chairman of the 195-unit Payless Cashways, also based in Kansas City, argues the reverse. In fact, Stanley, who has a long personal history of working with charitable organizations, thought the home improvement industry could take a vanguard role in influencing public policy in the homeless issue as it pertained to substandard housing.

"I take the view that we, in the industry, [can] have much more influence on public policy than we exercise," he said. Stanley wasn't referring to street people. "When I think of homelessness, I think of [the] underhoused, or those who live in circumstances not tolerable."

Stanley recalled that in the late 1940s, Congress endorsed a national housing policy whose goal was to assure decent and affordable housing for all Americans.

"The extent [to which] that policy has been attained is shocking," he said."

This contrast in viewpoints embodies how home improvement retailers see their businesses' roles in ameliorating homelessness. Ostensibly, this industry, whose businesses depend on as many people as possible having shelter to improve upon, would seem to have the most to gain from leading the fight against homelessness.

But most industry officials don't see it this way. Their attitude towards the homeless, in fact, ranges from distanced interest to outright puzzlement about what dealers can to do to effect change even if they wanted to.

Some dealers awaken to the problem

The level of destitution attendant to homelessness is beginning to force home improvement dealers to pay more attention to the issue, some for the first time.

"Driving through the city at night, especially the theater district, homeless people are everywhere," said Gary Kulick, president of The Strober Organization, based in Brooklyn and perhaps New York's most aggressive contractor-oriented chain. "I think it's going to be a more severe problem in the future."

Strober donates financially to such charities as the United Jewish Appeal and United Way. But Kulick admitted that, until being interviewed for this article, he had never contemplated his company's possible involvement in helping solve homelessness. "There has never been a business discussion, but I've never really looked at the question from the other direction," he conceded.

Other dealers, though, are less ambivalent and believe the time has come for the home improvement industry to take more of a socially responsible attitude toward the issue. Keith Hendee, director of corporate communications for Causeway Lumber, Fort Lauderdale, Fla., said that solution to homelessness is "the responsibility of any business, whatever type you are in."

Causeway Lumber recently furnished building materials at cost to a hospice center in Florida and donated money to Covenant House, a local shelter for homeless teenagers.

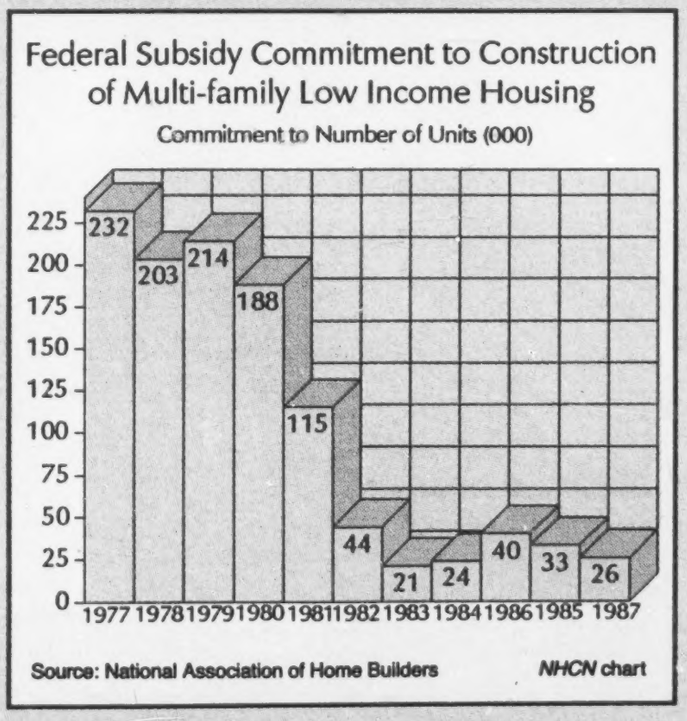
Stanley said Payless Cashways is one of some 40 industry retailers and suppliers that have invested $1 million in 1987 and 1988 to the National Equity Fund, which provides equity for low-income housing. Stanley chairs this group, which has helped rehabilitate 1,000 units in New York City alone and 700 to 800 outside New York, he said.

Another answer to the homeless crisis, whose roots are in poverty, is to produce more jobs for the poor, as Ron Brill, chief financial officer for The Home Depot in Atlanta, sees it.

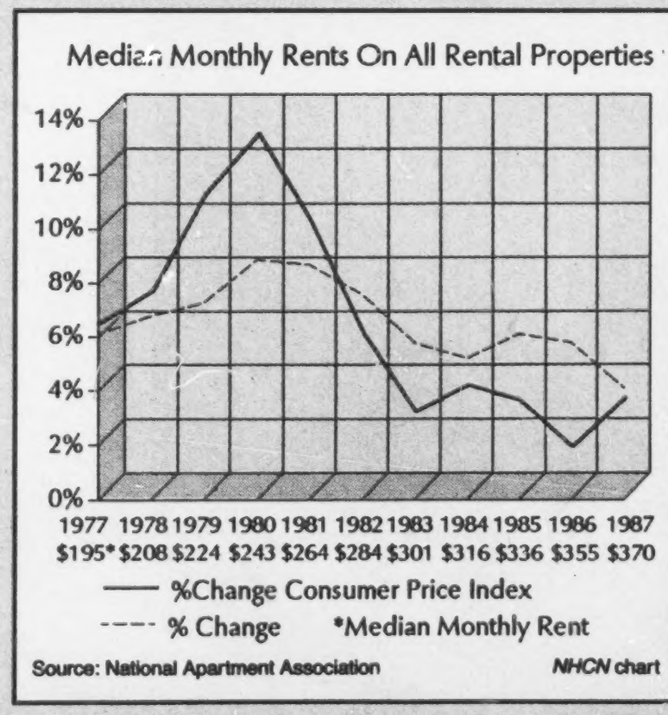
Brill, who said he was moved to action after watching a television documentary on the homeless, asked the 88-unit chain's personnel department why the company couldn't employ the homeless.

"If they didn't have drug or alcohol problems and can read, why couldn't we hire them?" Brill asked. "But it's a Catch-22: How do you hire somebody who doesn't have an address or a phone?"

(Continued on page 17)



The construction or rehabilitation of low-income multifamily dwellings that is funded through federal subsidies has plummeted from 1977 to 1987. The Department of Housing and Urban Development still subsidizes around 100,000 units annually, but around three-fifths are through vouchers to landlords to reduce rents, which addresses the affordability problem but not unit shortage.



Over the past decade, all rents nationwide have increased at an average annual rate of 6.6 percent, versus 6.5 percent for the Consumer Price Index. However, over the past five years monthly rents have been expanding at a faster clip than the CPI. Plus, the median annual household income for renters this year is only $15,100, versus $32,800 for home owners.

PRICE DISTRIBUTION OF EXISTING SINGLE-FAMILY HOMES

Price range	Percentage of total existing homes Sept. 1988*	Sept. 1984
$19,999 and under	2.0%	2.2%
$20,000-$29,999	2.6	3.8
$30,000-$39,999	5.0	7.1
$40,000-$49,999	7.2	10.5
$50,000-$59,999	8.6	12.4
$60,000-$69,999	9.3	11.9
$70,000-$79,999	8.6	10.9
$80,000-$89,999	7.9	8.7
$90,000-$99,999	6.0	6.4
Total	**57.2**	**73.9**

*preliminary
Source: National Association of Realtors
NHCN chart

Homelessness is generally thought to be caused primarily by the severe cutback in low-income apartment construction over the past decade. But as the chart shows, the availability of low-cost, single-family housing is dwindling, partially due to inflation but also because of a shift in what's being built. In fact, the highest percentage of homes in 1984—12.4 percent—were in the $50,000 to $59,999 range; now they are in the $120,000 to $159,999 sector, representing 13.5 percent of the total.

Allen Johnson, Vince Edwards and Frank Murray share a "home" beneath a viaduct in downtown Chicago. The three have lived together, helping each other out, for six months. NHCN photo

Faces of the homeless: Chicago trio ekes out a frugal existence

By Gary S. Ruderman

CHICAGO — Under the rusting metal stairs beneath the Lake Shore Drive Bridge at Illinois Street here is the mattress and pile of papers that three men call home.

It is shivering cold this December night. But whatever the weather, these men prefer this exposed shelter to any city-run or religiously operated cover. They join about 35,000 other homeless men and women on Chicago's streets each night, according to city officials.

It's a matter of pride among the three men to avoid shelters, explains Allen William Johnson, 42, their spokesman. Ironically, these men's "crib" is in the shadow of the city's Department of Health and Human Services building.

Johnson's shabby dress and scraggly beard are in sharp contrast to the lucidity with which he expresses himself. He's been on the streets "a couple of years." The only Chicago native among the three, he's a former building maintenance engineer. When he lost his job and went through his life savings and his rent money, he hit the streets.

Vincent Edwards, 29, from St. Paul, Minn., is the youngest of the men. Edwards lost track of family and vice versa. He's a trained diesel mechanic but chooses not to work. He doesn't say why.

All we know about Frank Murray, 46, is that he's from Brooklyn, N.Y.

They are living proof that the homeless here and around the country rarely fit the neat stereotype of being alcoholic or insane. The psychology and plight of the homeless are far more complex and indecipherable than that.

"I won't take welfare and I won't stay in one of the shelters," Johnson said. "People at the [missions] are crazy. You can't get inside until 10 p.m. They wake you up at 4 a.m. You get some cold oatmeal, warm tea and a donut the [Chicago] Blackhawks could use."

(Continued on page 18)

Roots of the problem spread deep and wide

The homeless problem encapsulates many of the ills the United States is struggling to cure in these austere times. And what makes homelessness so complicated is that its causes have so many roots:

- **Replenishment:** Demolition, arson and gentrification are some of the factors contributing to the disappearance of existing low-income housing nationwide. For instance, the *Los Angeles Times* reports that the Community Redevelopment Agency, L.A.'s biggest builder of low-rent apartments, has put up 10,700 units in the past decade, but has demolished 11,240.
- **Economics:** The housing industry currently has the highest rate of bankruptcy of any business sector in the country. And the fragility of the housing market has been crystallized by the financial crisis that the savings and loan industry—one of the main sources of home financing—is experiencing.

Increasingly, builders are moving away from construction of low-income housing—with its minimal investment return and its "risky" tenants and home owners—and towards the building of high-end and luxury dwellings.

- **Tax reform:** Doug Diamond, an economist with the National Association of Home Builders (NAHB), notes that tax incentives for developers to build new low-income multifamily dwellings were all but eliminated by the Tax Reform Act of 1986.

The impact of this reform has yet to be felt, as over the next several years these same developers will be allowed—through a controversial provision known as "prepayment"—to raise rents on these units to market levels, which Diamond projects would make "tens of thousands" of units unaffordable for low-income people.

- **Urban neglect:** Since 1981, federal housing programs have been decimated by the Reagan Administration, which has slashed aid to cities by 78 percent. NAHB quotes statistics revealing that the U.S. Department of Housing and Urban Development's budget authority for housing programs dropped from $37.9 billion in 1978 to $15.4 billion in fiscal 1988.
- **Rent inflation:** Most experts see the homeless problem as one stemming from a shortage of low-income rental properties such as single-room occupancy (SRO) apartments. NAHB expects only 335,000 *total* multifamily unit starts in 1989 (down from 669,000 in 1985), and the greatest portion of these will charge monthly room rents beyond the reach of the poor and families and individuals living from paycheck to paycheck, particularly in the big urban centers.

Nationwide data from the National Apartment Association show that median monthly rents have risen 90 percent between 1977 and 1987 to $370. More important, renters spend 30 percent of their median household income per month on rent, a figure that rises to 56 percent for those with incomes under $10,000.

- **Poverty:** Despite the Reagan's Administration's "safety net" for the "truly disadvantaged," the Census Bureau estimates that 32.5 million people—13.5 percent of the total population—live below the poverty line, including 21 percent of all children.

Retailers contemplate solutions to homeless problem

(Continued from page 16)

Answering his own question, Brill suggested that corporations that are serious about hiring the homeless might have to subsidize housing for impoverished workers until the employee become self-sufficient.

Problem becoming more visible

That this issue strikes a responsive chord with dealers at all says much about the extent that the homeless crisis has permeated the American psyche. With the exception of the dual plagues of drugs and AIDS, no other issue has received the level of attention accorded the homeless, even though much of what has been written comes after nearly a decade of governmental and private-sector neglect.

Homelessness is unique because it is a visible manifestation of a fraying of the social fabric, a deterioration that most people would rather not witness: In New York last summer, the police were ordered to rid Tompkins Square Park of noisy vagrants and the homeless, a raid that turned into a riot; in Miami, police officials have asked the city council for authority to arrest anyone found sleeping in public, with the goal of keeping the homeless moving.

But this problem goes well beyond simply making street people disappear. In an era of shortages in apartments and affordable single-family homes, even people with jobs are skirting the barriers of homelessness. Los Angeles—a market possibly with more home centers than anywhere else in the country—is currently deemed "The Homeless Capital of America" after the *Los Angeles Times* reported that 42,000 families pay rent to live in garages because apartment rentals are out of reach.

Still not a top priority

These and other similarly depressing data serve as a backdrop to the homeless army that is said to have anywhere from 300,000 to 3 million people in its ranks, and which could hit 18 million by the year 2000, according to a recently released study done by the *Harvard Business Review.*

Despite these projections, the majority of home improvement dealers contacted for this article did not think the home improvement industry was duty bound, by virtue of its reliance on housing, to help end homelessness. Indeed, most dealers agree with Lee Berger, president of Channel Home Centers, whose stores dot the Eastern Seaboard. Berger believes that there is little inherent relationship between the industry and the problem.

> "I wish I could be more upbeat, but this is a problem that is going to take a long and serious effort."
>
> —**Walt Benney,** *manager, Cash Bargain Lumber, Kansas City*

> "If they didn't have drug or alcohol problems, why couldn't we hire them? But . . . how do you hire somebody who doesn't have an address or a phone?"
>
> —**Ron Brill,** *cfo, The Home Depot*

"We haven't tied the homeless problem to the home center business," Berger said. He noted that the 170-unit chain regularly donates to the United Way and the Salvation Army.

Those charities are also supported by Erb Lumber, the chain based in the Detroit suburb of Birmingham, Mich. John Erb, its president, argues that the industry's fortunes will remain unscathed by a burgeoning homeless population as long as the number of people living in homes continues to rise.

"I guess you have to look at how many people are living in homes."

Even companies actively involved in certain programs question what home centers can accomplish in this area. Earlier this year HomeClub, the Fullerton, Calif.-based chain, donated $10,000 in building materials to help build a 16-unit, low-income housing project in Los Angeles. Yet its president, Sean Lee, contends that other social problems on the industry's agenda take precedence over the homeless.

"There are other areas of greater concern," said Lee. "For example, the education of the functionally illiterate and [the fight against] substance abuse.

"If we could correct these problems, it would improve the work ethic and avoid the homeless problem in the first place."

This article was reported by Brad Altman, Tom Bagsarian, Edward McKinley and Milford Prewitt, and written by Mr. Prewitt.

Builders Square shuffles merchandising assignments

(Continued from page 1)

Builders Square executives did not return phone messages left by *NHCN*.

In reference to some recent personnel changes at Builders Square, Antonini said that additional manpower was necessary to "bring in merchandising and operations people from K mart" to help Builders Square founder Frank Denny.

Antonini was alluding to recently named Builders Square president and coo Glen R. Mielke, formerly a K mart vp for the southwestern region, who will report to Denny effective Jan. 1 (*NHCN*, Dec. 12). Denny was promoted to chairman and ceo.

Profit in 1988 foreseen

Mielke's name will ring some bells with industry executives who remember him as the liaison between K mart and Hechinger when the two companies were contemplating the development of a warehouse-store joint venture in 1984 that was to be called "Home Team," but which foundered because of management disagreements.

In comments to the Los Angeles Society of Financial Analysts in early December, Antonini said 1988 is "the first year" that Builders Square is "making a profit" on sales of approximately $1.2 billion.

"Frankly, our plans did not anticipate making a profit through 1987," he said, adding that "we are well aware of the concern in the financial community of our progress at Builders Square."

K mart acquired the company in September 1984 when it was a nine-unit chain.

After fast-track expansion, Builders Square has now slowed the pace to 15 new stores in 1988 compared with 32 new stores in 1987 and 56 in 1986. Antonini said 15 new stores are on the drawing board for 1989.

In Builders Square's merchandise management changes, Antonini said new assignments were made concurrent with Mielke's arrival in order to "be more in tune with the consumer and the contractor."

Builders Square veteran Jud Walford, who was executive vp-operations, has been reassigned to the post of executive vp in charge of merchandising and advertising. He reports to Mielke, according to a K mart spokesperson.

Frank Powers, formerly chief merchandising officer, is now executive vp-administration and store setup.

Other merchandising changes include the reassignment of Lyn Cornelius from vp-general merchandise manager of lumber and building materials to vp-gmm of hardlines, a position left vacant following the departure earlier this year of Bob Shaw, who went to Rickel Home Centers.

Builders Square employee Dyer Vann was named gmm of lumber and building materials. Vann had been a regional lumber buyer in Michigan prior to coming to the chain's headquarters.

As Builders Square chairman, Denny is overseeing the expansion of separate office supply and sporting goods warehouse ventures. Antonini said the Builders Square division was put in charge of the two because "administratively, it was possible to do it from San Antonio a bit faster than from Troy [Mich.]," K mart's headquarters.

He said the three businesses are "separate and distinct operating units." The general manager of each venture reports to Denny.

Council pushes worldwide DIY marketing

(Continued from page 3)

Johnson added that the $2.6 trillion U.S. debt could pose a threat unless it is addressed within the first year of the next administration. A boost in interest rates to attract foreign capital could dampen any economic growth and quickly cut into housing starts.

The 81-member Worldwide DIY Council was formed 10 years ago to foster understanding of export and foreign markets among hardware manufacturers. It is limited to a maximum of 100 members.

A lecture on Asian markets was heavily attended.

"With the realities of today and the possibilities of tomorrow, plant seeds now [in the Far East] for future growth," explained Bill F. Funk, Far East area manager for American Tool, Lincoln, Neb.

While the market is huge—more than 55 percent of the world's population lives in the Far East—hardware stores are tiny compared to U.S. stores.

In just 72 square feet, "Chinese hardware stores look like small warehouses for both DIY and commercial accounts," Funk explained. This means there's no room for a vendor's POP merchandising.

Funk said the Far East is especially attractive with the lower dollar and higher overseas demand for hardware. Also, department stores charge full margin and hardware stores follow suit.

But there are hurdles. In addition to the cumbersome mechanics of distribution overseas and the ever-present threat of Japanese competitors, Funk said some markets, such as Taiwan and Singapore, have a cultural aversion to DIY. (They consider it a loss of face to do manual labor, Funk said.)

The conference said that American manufacturers must target products for the Asian markets that accommodate smaller hands and smaller dwellings with less storage room. Pricing must take into account that in the Philippines, for example, employees must work five days simply to buy U.S.-made locking pliers.

And while each of the Asian countries had pluses, Funk suggested that the council members steer clear of the four most populous countries: China, India, Bangladesh and Pakistan. He said there is low demand for DIY products there, and this, combined with payment problems, makes these markets less desirable.

The U.K. market has undergone a radical change in the last 18 years, according to Barry Digby, publisher of Britain's *DIY Superstore*. In the 1970s, small, independent hardware dealers "held a virtual stranglehold" on hardware sales. "That's been whittled down to just 15 percent," explained Digby.

The number of so-called superstores, analogous to large, U.S. home center chains, grew more than 18 percent in the last year alone

Of interest to most of the 75 people in attendance was the scheduled "harmonization" of European markets in 1992.

Dr. Debra Miller, an economist with the U.S. Commerce Department's international trade office, explained that countries within the European Economic Community (EEC) will drop all non-tariff barriers between members, creating a unified $4 trillion, 320-million-person market.

Because of the 1992 changes, Miller speculated, U.S. exports to the EEC could increase 40 percent from the 1987 level of $400 billion.

One aspect of the 1992 harmonization will be the international standardization of a number of products, most likely hardware among them.

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Chase-Pitkin hit by deaths of two execs

(Continued from page 3)

Pitkin's parent, Wegman's, was responsible for all warehousing and distribution. His special projects included organizing the chain's annual consumer shows.

Mannix, 33, was responsible for the procurement and marketing of all merchandise for the 12-unit chain. At various times during his career, he has been the buyer for lumber, building materials, ceilings, hardlines and millwork.

Underwood told *NHCN* that Mannix had been out shopping with his family when he felt a pain in his arm. He checked into a hospital, which did a number of tests and told Mannix he was all right.

Despite that diagnosis, he suffered a heart attack and died only hours later in his home.

Mannix is survived by his wife, Kathy; his daughter, Kari, and his son, James Jr. Anderson is survived by his wife, Barbara; his sons, Gene, David, and Patrick, and his daughter Melanie.

Underwood said on Dec. 9 that no one has been named to replace either man, and that he had assumed most of the operational responsibilities in the interim. "We're disposed to leave the positions open for a while and then decide what we want to do," he said.

HomeClub's ad agency switches to major rival

(Continued from page 3)

Former HomeClub president Herb Zarkin contracted with Admarketing two years ago to fashion a television campaign that featured the theme, "At the HomeClub, you save on everything every day." The TV spots occasionally compared HomeClub's prices with Home Depot's, and the comparisons always put HomeClub on top.

Asked what creative strategy his firm would employ for Home Depot, Roth said, "We haven't worked on any plans. We don't want to be duplicitous."

Before joining HomeClub, Admarketing was the ad agency for Standard Brands Paint Co., the Torrance, Calif.-based specialty paint chain.

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National
Home Center News®

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PERSPECTIVES

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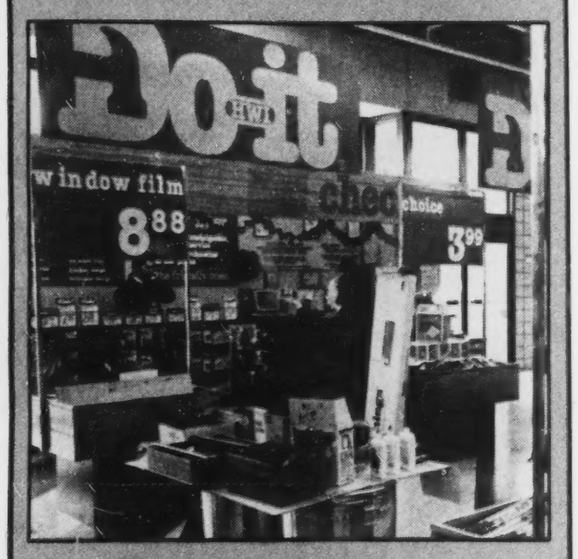
Skylight makers cautiously attract DIY sales 45



Competition is alive and well in Lincoln, Neb. 60

Rickel broadening its labor force by taking on 14-year-old workers

Chain looks for solution to industry-wide labor shortage

By Edward McKinley

SOUTH PLAINFIELD, N.J. — Rickel Home Centers is responding to labor shortages in the Northeast by hiring 14 and 15 year olds to stock shelves, carry merchandise, and, in a few cases, to work the sales floor.

"We're just not seeing people in their 20's coming into the store looking for careers in retailing anymore," said Karen Plaspohl, the general manager of three Rickel stores in the Hartford, Conn., area. "So bringing kids in early may point them in that direction."

Store managers, who began hiring the youngsters earlier this year for regular wages, gave the teenagers relatively good marks for job performance, but lamented the short working hours mandated for children by state and federal governments.

"There's a place for them," said Tony Riggio, manager of the Levittown, N.Y., Rickel store. "But it's not going to solve the labor problem because their hours are so short."

A Labor Department spokesman said employers should limit young workers to the hours allowed by either state or federal regulations, with the more stringent taking precedence.

A check with states in the Northeast revealed no substantial deviation from federal rules that limit 14 and 15 year olds to three hours' work on school days, eight hours on vacation days, 18 hours during school weeks and 40 hours during vacation weeks.

Federal regulations also limit working hours to between 7 a.m. and 7 p.m. during the school year and 7 a.m. to 9 p.m. in the summer. Those limits confound scheduling of hours and preclude rigorous training, managers said.

(Continued on page 65)

Last Wickes subsidiaries go on the block

By Brad Altman

SANTA MONICA, Calif. — The new owners of Builders Emporium and Orchard Supply Hardware (OSH) are searching for potential buyers for the two California-based home center chains, officials told *NHCN*.

The prospective sale of 30-unit OSH, based in San Jose, and 119-unit BE, based in Irvine, would help finance the $538 million buyout of parent Wickes Cos., a deal completed last month by the investment banks Wasserstein, Perella & Co. and Blackstone Group.

Wickes is in a selling vein. On Dec. 30, Wickes' Yorktowne Inc. subsidiary, which makes kitchen and bath cabinets, was acquired by an investor group led by Berkeley International Capital Corporation and members of Yorktowne's management. No selling price was released.

(Continued on page 66)

This Builders Emporium in Cathedral City, Calif., will be included in the proposed sale of the 119-unit chain to help finance the Wickes buyout. NHCN photo

Vendors stand to lose big as Eclipse hits the end of its rope

By Tom Bagsarian

ST. LOUIS — Three cents on the dollar.

That is how much creditors owed money by Eclipse Industries will receive now that the final boom has been lowered on that home improvement company. The vendors will divide about $200,000 of the $6 million they are owed and be forced to write off the rest.

Even Citicorp Industrial Credit Corp. (CIC) will write off $450,000 it lost by financing Eclipse since last June, when the operator of the B&B Home Supply stores filed for Chapter 11 protection, according to Vince Vogler, attorney for the creditors' committee.

CIC, Eclipse and the creditors committee mutually decided that continued funding of Eclipse was no longer in anyone's best interest. CIC decided that "to put any more money into [Eclipse] would not be productive," said Eclipse attorney Stuart Radloff. The remaining store in Arnold, Mo., closed immediately following the Dec. 19 decision.

Newly formed Midwest Acquisitions Inc. reopened the last B&B Home Supply Warehouse the final week of December to liquidate its remaining merchandise.

Navarro to be sued

In another twist in this drama, Vogler, on behalf of the creditors, plans to bring suit against Don Navarro and/or Don Navarro and Associates Inc. of Dallas, alleging the Texas financier illegally used Eclipse money to pay between $60,000 and $80,000 for lawyers and accountants. Navarro could not be reached for comment.

Steve Feinstein, Eclipse's president, sought help for the ailing, 10-year-old com-

(Continued on page 64)

NEWSBREAKS

COTTER HITS $2 BILLION IN SALES IN 1988: The Chicago-based hardware wholesaler joins Lowe's in an exclusive club of companies in the industry, outside of manufacturers, to reach this level. Cotter distributes to more than 7,000 True Value and V&S Variety stores.

BROADWAY FOR YOUR HOME SHUTS 'SHOWCASE' UNIT: Located in Lenexa, Kan., the store was considered by many observers to represent the "boutique" home center design of the future. Management confirmed that the unit was closed on Dec. 27.

INDUSTRY UPDATE

ServiStar exec Berryman dies

BUTLER, Pa. — John Berryman, a prime mover in the growth of dealer-owned ServiStar, died of a massive heart attack at Butler County Memorial Hospital on Dec. 23. He was 72.

"John loved this business and the people in it," said Russ Thomas, vp-personnel at ServiStar, the industry's third largest hardlines co-op. A John Berryman Scholarship has been established, Thomas said.

During Berryman's tenure as member services manager and later as general manager and ceo of what once was American Hardware Supply, the co-op grew from 650 stores to 3,500 stores. In the 14 years at ServiStar's helm, sales grew from $19 million to $310 million.

According to Thomas, Berryman joined the co-op in 1961. Four years later he was elected to general manager and ceo. He served in that capacity until his retirement from the board in May 1979.

Berryman began his hardware career in 1948 with the Dean Phipps retail stores in Scranton, Pa. From 1950 to 1957, Berryman worked to develop one of the industry's first turn-key store franchise programs for Janney, Semple, Hill & Co., a Minneapolis wholesaler.

Berryman worked as a consultant to the Pro Hardware group from 1957 to 1961.

He was a graduate of Amherst College and the University of Chicago. An avid writer, Berryman authored three books and numerous science fiction short stories. He was a founder of a local radio-controlled airplane club and was an avid fisherman.

Born in Brooklyn, N.Y., Berryman is survived by two sons, John Berryman Jr. of Aurora, Colo., and Jeffrey S. Berryman, Butler, Pa.; a daughter, Jill Eleanor Berryman of Sausalito, Calif.; and a brother, William Berryman of Colorado.

Contributions to the Berryman Scholarship fund may be sent to Thomas' attention at ServiStar.

Ace to build new DC in Georgia

OAK BROOK, Ill. — Ace Hardware is expected to begin construction this quarter on a new 471,000-square-foot distribution center in Gainesville, Ga. The projected $9 million facility on 2.5 acres should be operational by the spring of 1990, the wholesale co-op said.

Ace officials said the Gainesville DC replaces the 10-year-old Conyers, Ga., center, 50 miles away. Ace said demand for product from the Conyers area continued to grow, even though the co-op built new distribution centers in Baltimore; Hartford, Conn.; Charlotte, N.C.; and Little Rock, Ark., and expanded centers like that in Tampa, Fla.

The new center will stock some 40,000 skus and supply 350 Ace members in Georgia and Alabama. In addition, the new center will serve as a training and meeting location as part of the co-op's regionalization effort.

Central Builders Supply new pres.

STURGIS, Mich. — Central Builders Supply (CBS), the building materials buying group here, has elected two new officers, and has named a new president.

Bret Pobanz, a long-time manager of the company, was named president and chief executive officer late last year. He assumes the position held by his father, Phil Pobanz, who died last August. Steven Boone was named CBS's new vp-sales, and James McAuliffe, a certified public accountant, is now the group's vp-finance.

Builders Design kills buy proposal

RADNOR, Pa. — Builders Design has terminated its proposal to buy through a wholly owned subsidiary all the assets of Carpita Corp., a Canadian flooring retailer.

Builders Design is still interested in Carpita's U.S. operations. And the company is also seeking to raise financing for the proposed purchase of the common stock of Carpet Barn. The western U.S. company markets and installs carpeting and had 1987 sales of $15.2 million and pretax income of $2.5 million.

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Nuway pens agreement to join Pro Hardware marketing group

By an NHCN staff editor

BALTIMORE — One of the country's last, large independent hardlines wholesalers has at last joined a marketing group.

Nuway Distributors, Inc., based here, penned an agreement with Pro Hardware on Dec. 20, according to a Nuway officer. The wholesaler becomes the 17th member of the Stamford, Conn., marketing group effective Jan. 1.

Gary Cohen, executive vp of Nuway, said Pro lacked distribution in the Baltimore-Washington area and Nuway was looking for more prime-supplier accounts and program sales business.

Nuway had estimated sales of $55 million from 14 distribution centers stretching from Denver to St. Louis, through the East Coast and down to Miami. It services slightly less than 7,000 accounts; 70 percent of its sales are to hardware and home center accounts.

Cohen said Nuway would begin selling the Pro marketing program to its accounts in its Baltimore-Washington area, southern Florida, the Caribbean, Central America and the Bahamas.

Just two months prior to this deal, Pro merged with the 29-member Allied Hardware marketing group of Chicago (*NHCN*, Nov. 28). In 1987, United Hardware Distributors, a dealer-owned wholesaler based in Minneapolis, joined Pro. Pro officials were unavailable for comment.

Lavender joins Handy Andy as vp after Payless reorganization

By an NHCN staff editor

SCHAUMBURG, Ill. — James Lavender, a victim of the Payless Cashways reorganization last year, has joined Handy Andy Home Improvement Centers as its vp-commodities and merchandising.

The position is a new one at Handy Andy, and in his new roll, Lavender will report to Hank Kirschner, senior vp of marketing.

"It's a position we've been targeting for well over a year," said Steven Kadish, president of Handy Andy. "It was a question of finding the right person and we're very pleased he was able to come to us."

Lavender's primary responsibility will lie in commodities and building materials for the 49-unit home center chain, and he will have several buyers reporting to him.

James M. Lavender

Lavender, in his early 40s, was not available for comment, but Kadish said the addition would not necessarily signal a change in any retailing philosophy at Handy Andy.

"I think commodities has always been a very strong area for Handy Andy and I expect we'll be stronger than ever there now," said Kadish. "He has the energy and enthusiasm that will help us achieve new heights in building materials."

Jim Sutter, general merchandise manager/hardlines, will continue in the same position and will also report to Kirschner.

Lavender's Dec. 5 hiring came only three months after he resigned at Payless after a two-year stint at the Kansas City, Mo.-based chain as vp-merchandising.

Wyeth looking for debt bailout, possibly with a co-op buying it

By Gary S. Ruderman

ST. JOSEPH, Mo. — The Wyeth Co., facing $3.7 million in debts to unsecured trade creditors, is looking for a bailout through acquisition. Sources believe the most recent talks were taking place with a dealer-owned hardlines cooperative.

"There is no contract *per se*," said Max Wyeth, president of the 131-year-old family business. "We're negotiating with a number of companies. But we're from Missouri . . . and we've got to see the ink dry" before announcing any deals.

Wholesalers

A number of companies have looked at purchasing Wyeth, a hardlines wholesaler and charter member of the Liberty Distributors marketing group.

The idea of a dealer-owned organization acquiring a marketing group member is uncommon but not without precedent. In May 1986, Speer Hardware Co., a wholesaler with about $5 million in sales, joined the then American Hardware Supply Co., now known as ServiStar Corp., the nation's third largest dealer-owned wholesale cooperative.

(ServiStar was unavailable to comment about whether it was involved in any negotiations with Wyeth. Ace Hardware and Cotter & Co. said they had not heard about the

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Buying & Selling *lumber report*

'Non-existent' species of tree yields a billion-dollar-a-year industry

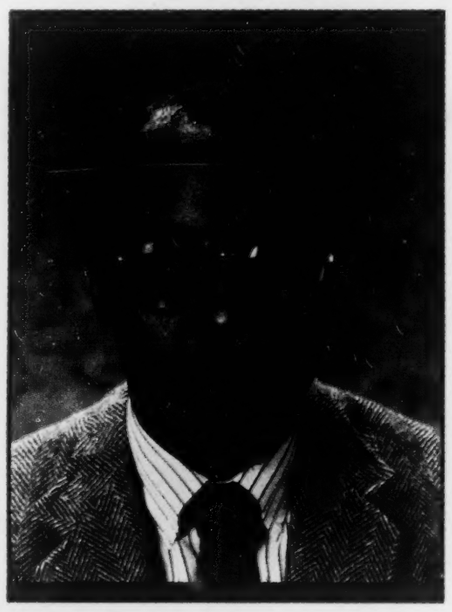
A species of tree that doesn't even exist has become one of the most popular for the production of lumber and is playing a strong role in the strength of the Northwest's forest-products economy.

To traders and lumbermen, the nonexistent tree is called hem-fir. But a botanist would probably be amused trying to identify the species.

That's because hem-fir is the commercial name for a group of trees and is not an individual species, *per se*.

According to a new report by the Western Wood Products Association (WWPA), the production of hem-fir is now a billion dollar industry and is growing at unprecedented rates.

The WWPA says hem-fir is the market designation for western hemlock and a variety of species of white fir. Within the group are California red-fir, grand-fir, noble-fir, and Pacific silver-fir. The group is most abundant in every western state except Utah, Wyoming and Nevada. When produced into lumber, products made from hem-fir are indistinguishable from one another. Of the 23.9 billion board feet of lumber produced in the Western forests in 1987, 4.8 billion—one fifth—was hem-fir.



Milford Prewitt
NHCN Senior Editor

For retail lumber dealers and their customers, the message behind the WWPA's report is a marketing one: hem-fir can be a low-cost substitute for some species in some preferred end-uses. Although hem-fir's strength properties are not as high as Douglas fir or Southern yellow pine, the species can be comparable within certain spans, and therefore, could lower construction or remodeling costs.

In a recent issue of a trading newsletter, the monthly composite of 2x4 hem-fir traded at $211 per thousand board feet while Douglas fir of the same dimension averaged $227.

"When the western lumber industry was in its early development, everyone wanted Douglas fir and western pines," said Fred Reseburg, director of Economic Services for the WWPA. "Then it was learned that good manufacturing, seasoning and quality control could make what we now know as hem-fir into an exceptional framing material for residential and light commercial construction."

The ease of harvesting a variety of species at one time was one reason the monicker, hem-fir, was coined, explained Don Wallace, the WWPA's technical director.

"Hemlock and some of the white firs often grow intermixed," he said. "There is no practical way to separate them during logging in the woods.

"By the time they are manufactured into lumber, it is too late and is almost impossible to tell one of these woods from the other, even with a microscope."

In unity, strength

While building codes require strength properties for lumber to assure each piece can withstand the expected stresses, the strength properties vary among hemlock and white firs. This meant that lumber producers, rather than segregate a variety of species, decided to place them all in one group. In so doing, the producers took the weakest species and made that the governing strength for the entire group, Wallace said.

"This has been beneficial both to the marketplace and the mill," Wallace said.

Hem-fir's production is second only to Douglas fir's 10.6 billion board feet and its mill sales at $982 million make it number three behind Ponderosa pine. But ranking second and third on production and sales lists should not diminish the growth appeal the species is enjoying, Reseburg said.

"Our third species down the money performance list still turned a billion dollars at the mill," he said. "But structural framing [in the U.S.] is where hem-fir's biggest volumes go."

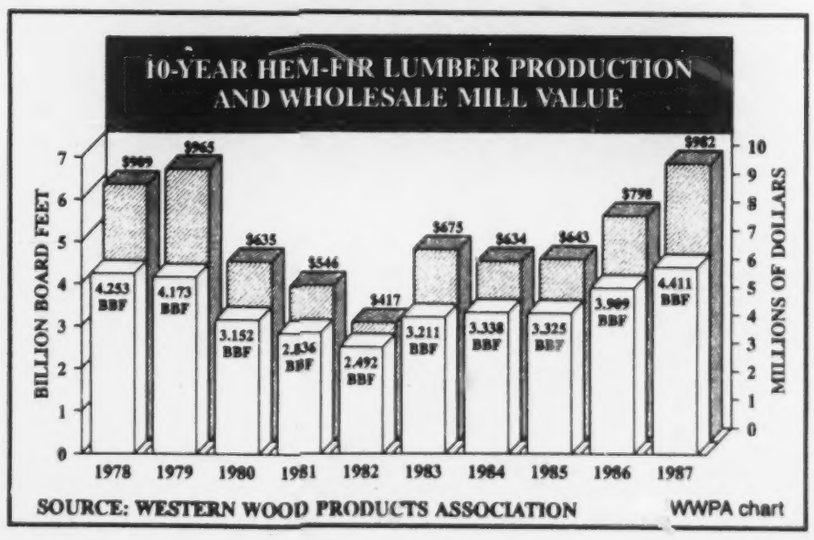
Based on current production trends, Reseburg projected that the high mill production levels will not be sustained in 1988 or next year. The WWPA forecast western lumber production to be down from 1987 by 7.5 percent and 3.4 percent respectively.

Despite the expected drops in production, supplies of the species seem assured. But Rus Fredsall, the WWPA's director of resources, pointed to the increasing restrictions being placed on harvests on federally owned forest land.

"Productive federal forest land well-suited for growing the hem-fir and other important commercial species is being set aside increasingly for wilderness and other restricted purposes," he said. "The acreages are getting bigger and bigger.

"That has important implications for both the economies of our mill communities and for those in the marketplace who depend upon a continuing supply of lumber and other forest products."

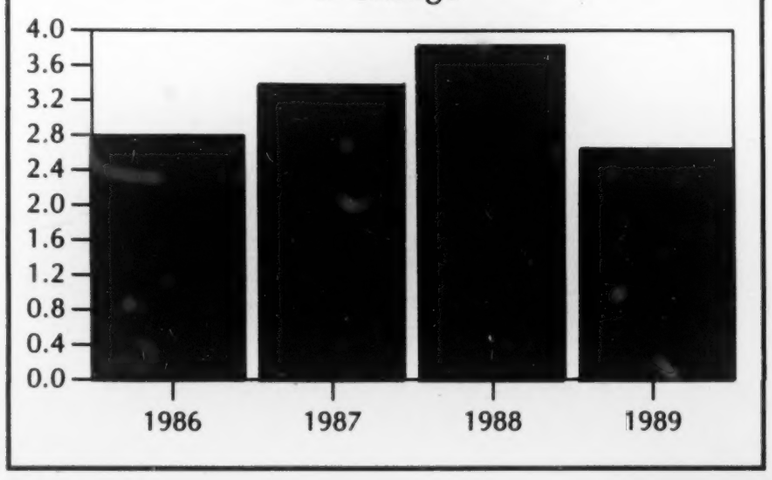
—Milford Prewitt



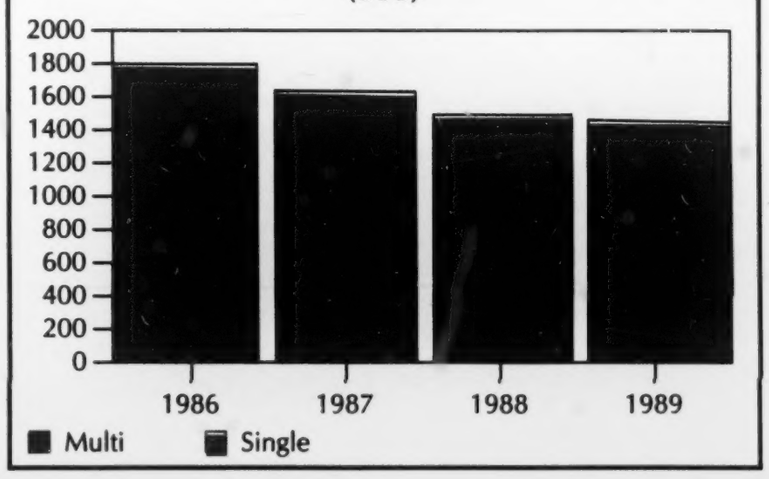
Business Watch

Section 4

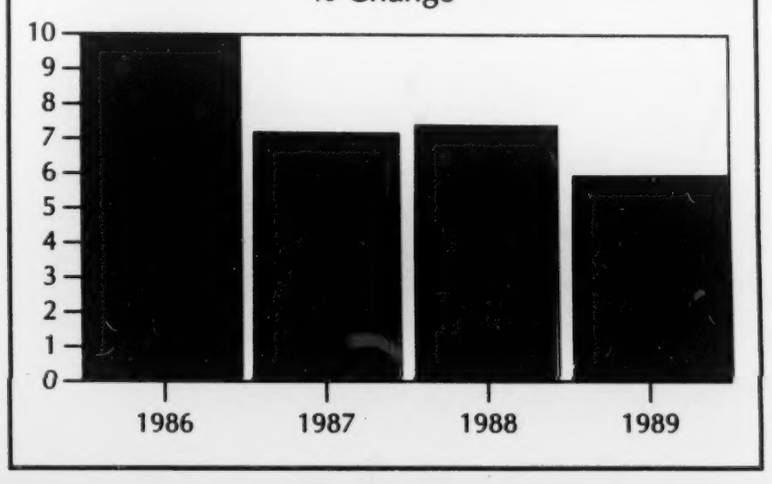
Slower GNP growth . . .



. . . and declines in housing starts . . .



. . . will limit the rise in building materials demand.



Higher inflation and slower spending predicted for 1989

By Richard E. Mount
Special to NHCN

Building material sales will advance 5.7 percent this year, off from 1988's 7.3 percent gain. Adjusted for expected inflation, the 1989 advance will be 2 percent, down from 5.7 percent in 1988. A continuing problem for building material retailers will be intense price competition.

Consumer spending, which accounts for two thirds of GNP, will advance only 2.2 percent this year, after 2.6 percent in 1988. High debt burdens, higher interest rates, and slower employment gains will keep spending in check.

Richard E. Mount

Inflation will be moving higher in 1989. The consumer price index increased 4.2 percent last year, but should rise 5.1 percent in 1989.

Mortgage rates will increase throughout the year because of rising inflation and business borrowing needs. Rates are currently near 10.6 percent, but should reach 11.1 percent by year's end. For single-unit housing, 11 percent mortgage rates will be a negative psychological barrier.

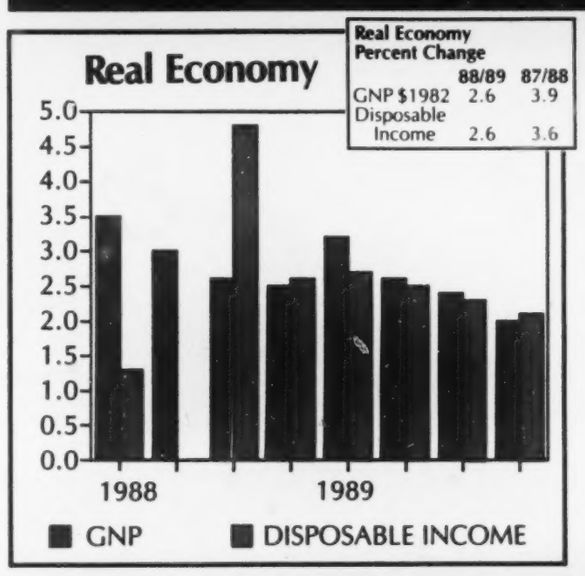
Housing starts will continue to decline in 1989. Last year they were off 8.8 percent; this year they should be down an additional 3.7 percent.

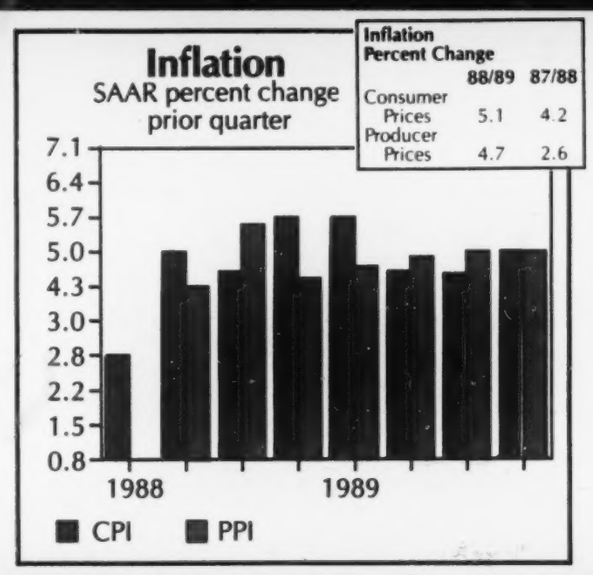
Resales will not decline as rapidly as new housing; they should be down 3.5 percent. The wide price gap between new and existing housing, currently 32 percent, will attract buyers to the resale market as rising mortgage rates reduce new housing affordability.

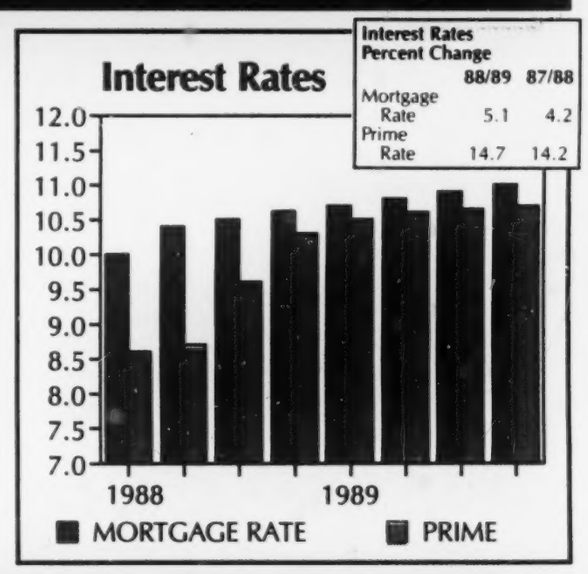
For building material retailers, 1989 promises to be another record year for sales, although the rate of increase will not be as sharp as in recent years. The economy will grow slower and housing will decline, limiting the increase in retail building material sales to higher levels of additions, alterations and maintenance of existing units.

Richard Mount is president and chief economist with Mount Economic Consulting.

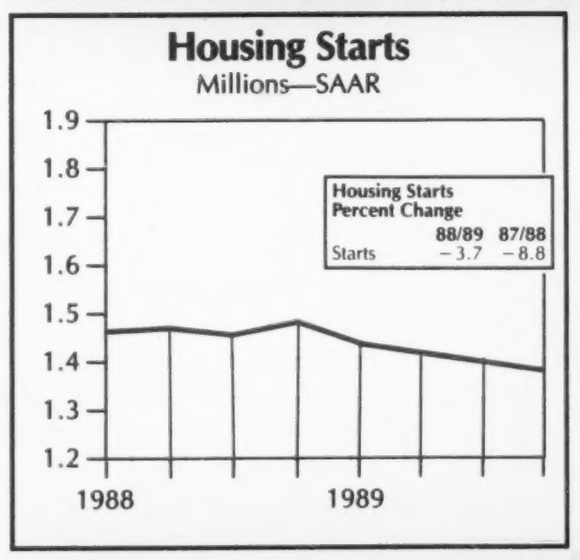
General Business Conditions

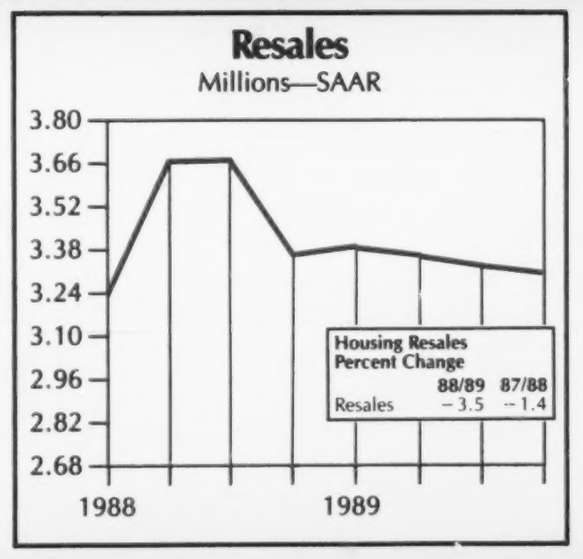


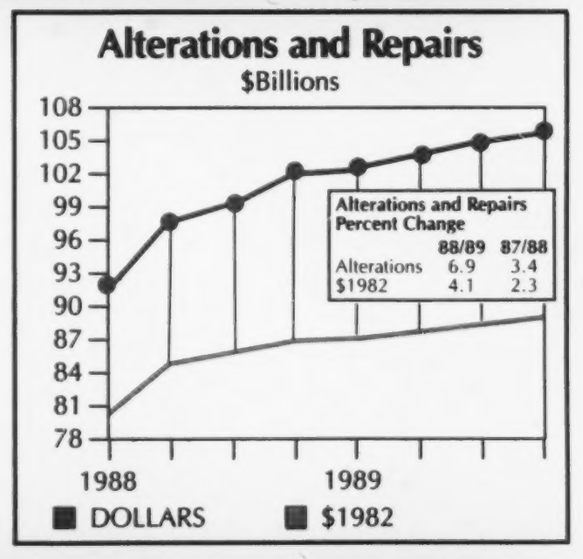




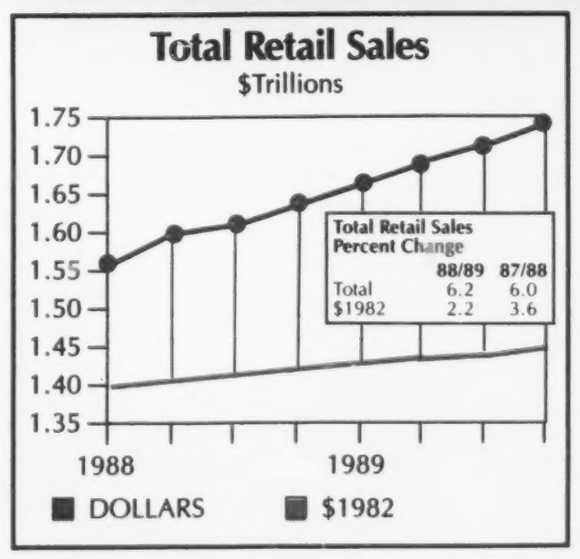
Housing

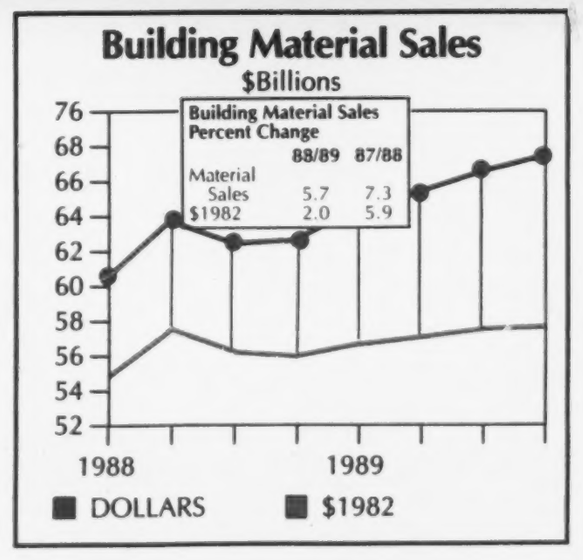


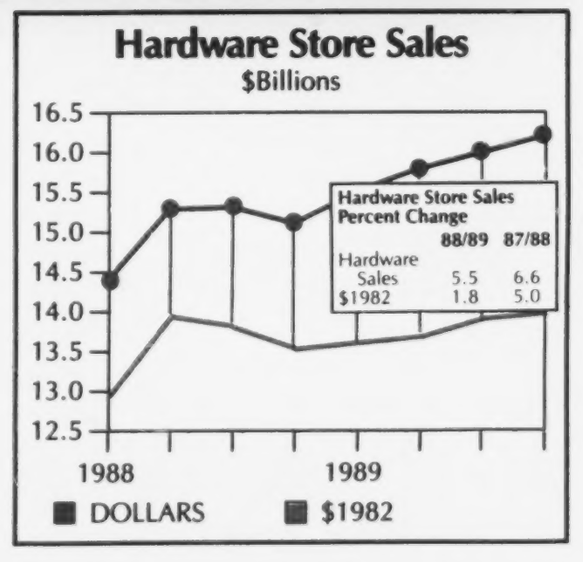




Retail Trade Activity







Data: Dept. of Commerce
Bureau of Labor Statistics
National Association of Realtors
Dept. of Housing and Urban Development

The Home Center Industry Outlook runs in two parts, one each month. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material and supply store sales.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart

Business Watch

regional news

Warning signs flash for New England sales

(Continued from page 6)
builders are facing foreclosures as banks call in loans.

Foreclosures reshape area

"Land values were bid up through speculation, which wasn't supportable. Now a number of lenders are in risky situations," said Michael Carliner, economist with the National Association of Home Builders (NAHB).

"New England real estate is very soft right now and the over-building, especially of condos, has left a big inventory on the market. Several developers are going out of business either through filing bankruptcies or banks foreclosing," added Michael Dworman, an associate attorney specializing in foreclosures at Seder and Chandler, a law firm in Worcester, Mass. (He is also the son of Cherry Valley's president.)

One New Hampshire dealer welcomes foreclosures as a means of returning land and house prices to realistic levels.

"All bets are off unless land prices and house prices return to affordable levels. If they do, then the market will heat up again. The economy is still robust," said Steve Lowe, vice president, East Coast Lumber.

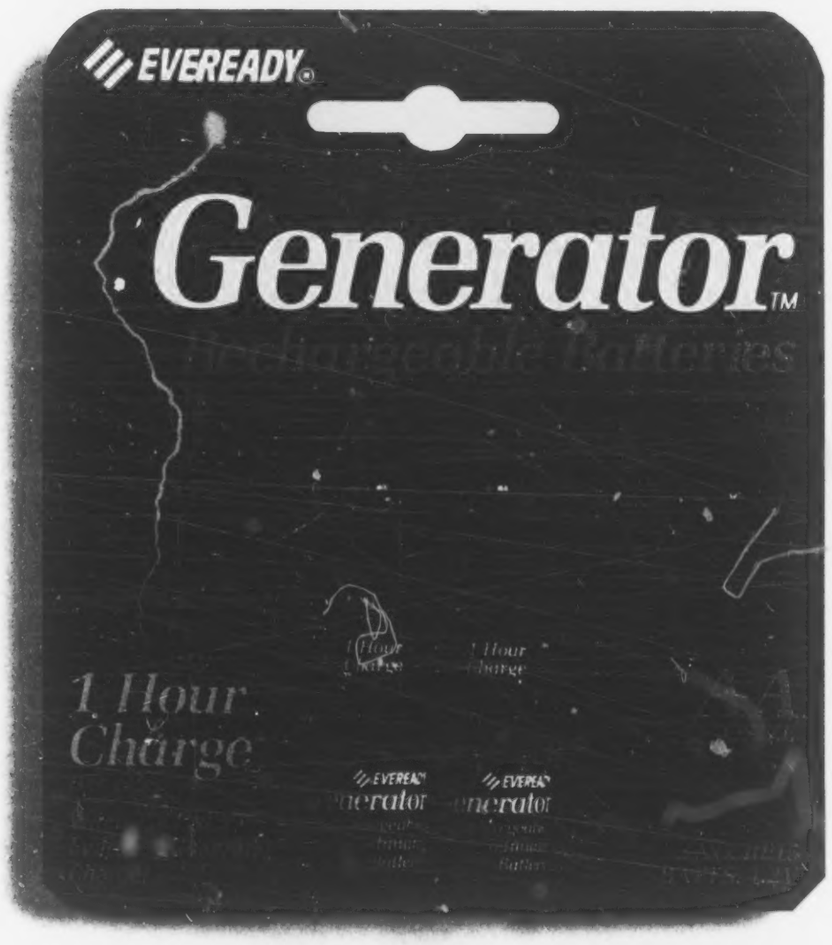
In Connecticut, inflated land prices led New Canaan Lumber to relocate after 51 years to New Town, in northern Connecticut. Its owner, Earl Smith, will develop the three-acre site as offices, according to Dan Hughes, vice president.

Independents remain confident that they can withstand the influx of the big warehouse chains by marketing their special services and by what Sloss-berg of United Building Supplies calls "just saying yes."

"Builders Square is like the Crazy Eddie of video: a lot of people cannot shop there, other people love the chaotic madness and the bargains," said Terry Chatfield, president of Housatonic Lumber, Derby, Conn.

"We're just going to get out there and work on our client relationship, and continue to show the contrast between the two organizations. There's no sense in us going after the customer bent-set on price," Chatfield said.

TIME IS MONEY



Time is a consumer's most precious commodity. That's why Eveready is introducing its first one-hour rechargeable product — Generator™ rechargeable batteries and chargers.

Because of its one-hour charging capability, Generator™ appeals to both current rechargeable users and new users alike. Generator's state-of-the-art technology helps you grow the rechargeable category in your stores. And a growing category means growing profits.

Find out how to turn Generator™ Rechargeable's time-saving benefits into a money-making opportunity for you. Stop by the Eveready Booth #731 at the Consumer Electronics Show or call toll-free 1-800-548-7075.

EVEREADY the Powerful Difference

Circle 46 on Reader Service Card

Competition is alive and kicking in Lincoln, Neb.

By Tom Bagsarian

LINCOLN, Neb. — Pauley Lumber here was not to be outdone.

When the only Payless Cashways in town began telling customers about its new, next-day delivery service last month, the independent Pauley started answering its phones with the greeting "free delivery available," a service the store had been offering, albeit more quietly, for a year.

This delivery duel is one indication that competition is alive and well in Nebraska's capital, with a Sutherlands at the north and south ends of Lincoln, the two-year-old Payless at the south end, plus a host of independents scattered throughout the city.

Lincoln, like its larger rival Omaha 50 miles to the northeast, has benefited from Nebraskans migrating from the rest of the state. But unlike Omaha, which employs people in manufacturing and distributing, Lincoln puts many of its 185,000 citizens to work in state offices, the state penitentiary and at the University of Nebraska.

Housing in Lincoln has been "very strong the last four years," said John Hyland, president of Hyland Bros. Lumber, one local independent. Competition has not intimidated Hyland, which over the next two years will renovate and expand its facilities, at a cost of $1 million.

Gordon Pauley, president of the 79-year-old family run Pauley Lumber (which is a Do-it Center fashioned after the in-store design of Hardware Wholesalers, Inc.), views the two chain operators as his main competitors. Since the arrival of Payless, Pauley has added two more outside salesmen and has placed an increased emphasis on more millwork for contractors.

The appearance of Payless here has had its effect on Pauley in other ways as well, said Don Medinger, store manager of the retail store. For instance, Pauley now does much of its advertising by direct mail, whereas in the pre-Payless days, it ran newspaper ads. "It just doesn't pay to run a little ad right next to a huge one for Payless," said Medinger. "It doesn't look good."

Pauley has used the HWI Do-it Center format for three years and is pleased with the results, said Medinger, as annual sales reach $2 million at the 7,000-square-foot store. Recent additions there include kitchen cabinets, Kwikset locks and Vermont American Iso-Temp accessories.

Annual sales at Pauley's three-acre yard and Do-it Center are around $4 million.

Business Watch

stocks

National Lumber, hurt by slow sales, posts net 3rd quarter loss

By an NHCN staff editor

FOUNTAIN VALLEY, Calif. — National Lumber reported a net loss of $1.6 million on sales of $37.1 million for the third quarter ended Oct. 31, 1988.

The 20-unit home center retailer said "slow consumer spending had continued to negatively impact" its results. National reported earnings of $61,397 on sales of $39.3 million for the same three-month reporting period a year earlier.

In the second quarter ended July 31, 1988, National reported a net loss of $1.04 million.

For the nine-month period, National has lost $2.6 million on sales of $116.7 million compared with earnings of $708,190 on sales of $120.8 million for the period a year earlier.

National's stores are located in Los Angeles, Orange, San Diego, Riverside and San Bernardino counties.

Standard Brands Paint reports lower earnings for its third quarter

By an NHCN staff editor

TORRANCE, Calif. — Standard Brands Paint Co. reported earnings of $1.38 million on sales of $80.53 million for the third quarter ended Oct. 30, 1988.

The specialty paint retailer posted earnings of $4.31 million on sales of $79.57 million for the same period a year earlier.

For the first nine months of 1988, Standard Brands recorded earnings of $3.98 million on sales of $236.1 million compared with earnings of $12.75 million on $236.54 million sales for the same year-earlier period.

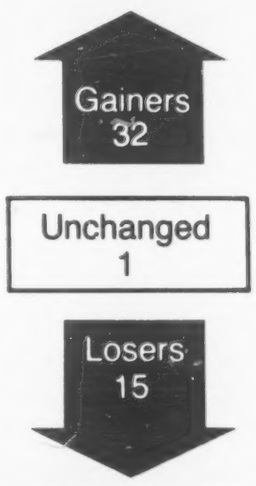
Stocks end year on the upswing

Nineteen eighty-eight ended on an up note for the majority of publicly held home improvement companies. Thirty two of the firms tracked for *NHCN* by Media General showed price gains during the two weeks ended Dec. 30, while only 15 had a drop in price and one remained flat.

Retailers were led by Wolohan Lumber, the Saginaw, Mich.-based chain that had an outstanding year in terms of sales and earnings. For the two weeks, Wolohan's stock price rose 12.8 percent to $19.88 per share. Another winner was Scotty's, based in Winter Haven, Fla., whose stocks jumped 6.9 percent to $11.63. The market, in fact, began showing more confidence in Scotty's once the 151-unit chain reorganized with new management and a more aggressive marketing plan.

Among suppliers, Clairson International, the makers of Closet Maid products, showed the biggest gain, increasing 23.4 percent to $7.25. Wholesaler Moore-Handley achieved a 3.1 percent gain to $4.13 per share.

On the down side, the last two weeks of the year found General Building Products' stock dropping 11.1 percent to $3, and National Lumber (*see story above*) fell 5.6 percent to $2.13 per share. Mor-Flo Industries, the water heater maker saw its stock decline in price by 10.9 percent to $5.13, while Thomas Industries, the lighting supplier, fell 5.1 percent to $18.50 per share.



National Home Center News

HOME CENTER MARKET SUMMARY

Company and Market	Stock Market: Price: 2-Weeks Ended 12-30-88	2-Weeks Change: Amt.	2-Weeks Change: Pct.	2-Week Range: High	2-Week Range: Low	52-Week Range: High	52-Week Range: Low	Volume: 2-Weeks Shares Traded: Total	Volume: 2-Weeks Shares Traded: % Out	Volume: 12-Week Avg. Vol. As % Out	Volume: Volume Trend Change	P/E Ratio	Indicated Divd. Rate: Amt.	Indicated Divd. Rate: Yld.	Latest Report: New Report	Latest Report: Period	Latest Report: Date Ended	Latest Quarter: Revenue: Amt.	Latest Quarter: Revenue: Chg.	Latest Quarter: Net Income: Amt.	Latest Quarter: Net Income: Chg.	Latest Quarter: E.P.S.: Amt.	Latest Quarter: E.P.S.: Chg.	Year-to-Date: Revenue: Amt.	Year-to-Date: Revenue: Chg.	Year-to-Date: Net Income: Amt.	Year-to-Date: Net Income: Chg.	Year-to-Date: E.P.S.: Amt.	Year-to-Date: E.P.S.: Chg.
-	$	$	%	$	$	$	$	(100)	%	%	%	-	$	%	-	-	-	$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Retailers																													
Gen Bldg Prods ..... M	3.00	- .38	- 11.1	3.50	3.00	6.50	3.00	484	1.20	.77	55.8	17.6	.00	.0	.....	9 mos.	08-88	21.9	11.2	.1	- 87.5	.02	- 89.5	56.5	14.1	.3	- 83.3	.07	- 85.4
Grossman's Inc ..... M	5.63	.13	2.3	5.75	5.25	8.38	4.88	9,004	3.45	1.58	118.4	11.7	.00	.0	.....	9 mos.	09-88	321.9	1.6	10.0	4.2	.38	- 13.6	855.8	4.4	12.6	11.5	.48	- 9.4
Hechinger A ..... M	17.88	1.00	5.9	18.13	16.50	20.25	15.88	11,297	5.52	1.72	220.9	NA	.16	.9	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B ..... M	17.75	.50	2.9	17.75	16.75	20.00	15.75	588	.38	.14	171.4	14.3	.06	.3	.....	9 mos.	10-88	250.6	35.5	12.1	28.7	.32	18.5	773.5	39.7	36.0	23.3	.96	7.9
Home Depot ..... N	31.63	1.50	5.0	32.00	30.00	32.00	17.38	9,896	1.99	1.41	41.1	21.8	.12	.4	.....	9 mos.	10-88	509.9	40.0	17.1	76.3	.33	73.7	1474.7	36.6	57.9	52.0	1.13	39.5
K mart Cp ..... N	35.13	- .13	- .4	35.50	34.63	39.75	29.00	36,912	1.85	1.14	62.3	9.7	1.32	3.8	.....	9 mos.	10-88	6358.2	6.4	126.1	14.5	.63	16.7	18884.1	5.7	409.7	10.4	2.04	12.1
Lowe's Cos ..... N	21.00	.38	1.8	21.25	20.00	24.38	16.25	6,404	1.73	.91	90.1	12.1	.48	2.3	.....	9 mos.	10-88	652.1	1.0	15.9	- 4.2	.42	.0	1947.3	.4	57.4	9.8	1.51	14.4
NHD Stores ..... M	6.63	- .38	- 5.4	7.00	6.50	8.00	4.25	119	.88	.61	44.3	8.8	.00	.0	.....	9 mos.	10-88	12.3	15.0	.1	NE	.04	NE	37.3	12.7	.6	50.0	.43	38.7
Natl Lumber ..... M	2.13	- .13	- 5.6	2.38	2.13	3.75	2.13	1,061	1.88	.53	254.7	NE	.00	.0	NEW	*	10-88	NC	NC	NC	NC	NC	NC	116.8	NC	- 2.6	NC	- .47	NC
Scotty's Inc ..... N	11.63	.75	6.9	11.63	10.75	15.25	10.50	1,363	.93	.51	82.4	38.8	.52	4.5	.....	3 mos.	09-88	128.0	3.5	- 4.5	- 100.0	- .30	- 100.0	128.0	3.5	- 4.5	- 100.0	- .30	- 100.0
Sears, Roebuck ..... N	40.88	.75	1.9	41.88	40.13	46.25	32.25	55,066	1.45	1.66	- 12.7	9.4	2.00	4.9	.....	9 mos.	09-88	13350.0	9.5	344.2	- 15.8	1.41	30.6	39490.0	11.9	893.1	- 17.9	2.86	.0
Std Brd Pnt ..... N	14.88	- .13	- .8	16.25	13.75	16.38	- 10.63	5,274	9.22	2.77	232.9	NE	.00	.0	.....	9 mos.	10-88	80.5	2.2	1.3	- 69.8	.17	- 67.3	236.1	- .2	3.9	- 69.5	.50	- 67.7
Strober Organiz ..... M	9.50	- .25	- 2.6	9.75	8.75	12.25	6.25	527	.87	.34	155.9	13.0	.00	.0	.....	9 mos.	09-88	38.9	40.9	1.6	- 5.9	.26	- 3.7	105.4	40.2	3.4	- 20.9	.56	- 20.0
Wickes Cos ..... N	7.25	- .38	- 4.9	7.63	7.13	14.13	6.50	7,786	1.63	6.75	- 75.9	4.9	.00	.0	.....	6 mos.	07-88	937.9	- 35.5	- 12.4	- 100.0	- .09	- 100.0	1866.0	- 37.7	- 15.0	- 100.0	.08	- 94.2
Wolohan Lumber ..... M	19.88	2.25	12.8	20.25	17.63	20.25	9.38	3,242	5.55	1.54	260.4	10.5	.28	1.4	.....	9 mos.	09-88	74.6	12.7	3.8	40.7	.64	39.1	193.5	12.6	8.4	33.3	1.43	33.6
Zayre Corp ..... N	25.50	.50	2.0	25.63	23.75	27.13	14.25	23,076	4.11	3.57	15.1	NE	.40	1.6	.....	9 mos.	10-88	936.3	- 41.5	- 160.7	- 100.0	(2.87)	- 100.0	2530.5	- 41.2	- 178.2	- 100.0	(3.18)	- 100.0
Wholesalers																													
Hughes Supply ..... N	17.63	.25	1.4	17.63	17.25	19.44	16.09	295	.61	.44	38.6	8.9	.32	1.8	.....	9 mos.	10-88	131.7	16.3	2.5	.0	.51	4.1	376.3	18.3	7.1	6.0	1.46	9.8
Moore Handley ..... M	4.13	.13	3.1	4.13	3.75	5.00	3.75	346	1.48	.34	335.3	NE	.20	4.8	.....	9 mos.	09-88	26.1	- 4.7	- .1	NE	- .06	NE	79.5	6.9	- .1	- 100.0	- .04	- 100.0
Manufacturers																													
Am Consum Prods ..... M	11.00	.00	.0	11.00	10.25	12.50	8.00	99	.37	.28	32.1	16.4	.00	.0	.....	9 mos.	09-88	20.4	74.4	.5	- 16.7	.18	- 21.7	56.5	79.9	1.4	7.7	.53	6.0
Am Woodmark ..... M	9.50	- .13	- 1.3	10.00	9.13	10.38	7.28	590	.78	.23	239.1	12.5	.00a	.0	.....	6 mos.	10-88	42.5	23.9	2.7	12.5	.36	- 2.7	79.4	20.1	4.5	21.6	.60	11.1
Armstrng Wrld ..... N	35.00	2.00	6.1	35.25	32.63	44.00	29.50	10,066	2.18	1.37	59.1	10.0	1.00	2.9	.....	9 mos.	09-88	672.8	8.1	42.9	- 2.3	.93	1.1	1973.4	12.1	128.1	9.6	2.77	12.6
Black & Decker ..... N	23.13	.88	3.9	23.38	22.00	24.75	17.13	23,319	3.98	1.63	144.2	14.0	.40	1.7	NEW	fiscal	09-88	591.5	17.8	23.4	56.0	.40	53.8	2280.9	17.9	97.1	74.6	1.65	73.7
Boise Cascade ..... N	41.25	1.63	4.1	41.25	39.25	50.00	36.00	6,119	1.35	1.27	6.3	7.1	1.40	3.4	.....	9 mos.	09-88	1036.3	3.9	71.9	42.7	1.58	54.9	3059.8	7.5	212.7	69.1	4.64	85.6
Catalina Lgtg ..... A	9.00	.38	4.3	9.25	8.50	10.75	3.00	1,170	3.71	1.87	98.4	22.0	.00	.0	NEW	fiscal	09-88	9.1	82.0	.4	300.0	.13	160.0	26.9	35.9	1.1	175.0	.41	115.8
Champ Intl ..... N	32.13	1.25	4.0	32.75	30.25	38.13	29.50	22,885	2.41	1.18	104.2	7.3	1.00	3.1	.....	9 mos.	09-88	1285.7	7.2	122.4	38.0	1.29	37.2	3814.1	10.3	336.6	12.2	3.54	11.7
Clairson Intl ..... M	7.25	1.38	23.4	7.50	5.88	8.50	4.25	1,366	2.68	.79	239.2	NE	.00	.0	.....	9 mos.	06-88	27.2	46.2	- 2.1	- 100.0	- .43	- 100.0	78.4	45.7	- 4.3	- 100.0	- .85	- 100.0
Coleman Co ..... N	40.75	2.50	6.5	41.00	38.00	41.50	31.00	973	1.38	.74	86.5	11.6	1.20	2.9	.....	9 mos.	09-88	159.0	8.4	3.9	30.0	.55	34.1	516.9	11.0	22.7	31.2	3.23	31.8
Cooper Indus ..... N	54.00	- .25	- .5	54.88	52.88	62.75	50.13	7,532	1.49	.88	69.3	13.3	1.80	3.3	.....	9 mos.	09-88	1090.3	23.7	57.1	28.6	1.12	27.3	3065.0	18.9	149.7	27.5	2.94	25.1
DeSoto Inc ..... N	34.50	1.50	4.5	34.50	33.13	46.00	23.00	812	2.03	3.91	- 48.1	46.6	1.40	4.1	.....	9 mos.	09-88	98.0	- 1.2	- 2.6	- 100.0	- .66	- 100.0	317.5	3.0	3.3	- 69.7	.82	- 70.1
Emhart Corp ..... N	22.88	.75	3.4	22.88	21.63	24.00	18.75	8,125	1.31	1.17	12.0	11.9	.88	3.8	.....	9 mos.	09-88	643.5	15.3	26.9	15.5	.43	16.2	2039.3	13.9	93.1	16.2	1.50	17.2
Georgia Pacific ..... N	36.88	1.38	3.9	37.88	35.38	42.88	30.75	15,390	1.51	1.07	41.1	8.2	1.40	3.8	.....	9 mos.	09-88	2409.0	- .6	114.0	- 3.4	1.19	8.2	6942.0	8.9	338.0	- 2.3	3.41	7.9
La Pacific ..... N	28.25	- .13	- .4	28.88	28.00	37.50	25.50	6,126	1.58	.98	61.2	7.0	.92	3.3	.....	9 mos.	09-88	462.9	- 13.0	36.7	- 13.8	.96	- 13.5	1351.1	- 6.4	122.4	30.6	3.19	30.2
Macmillan Bloedel ..... M	15.13	1.13	8.0	15.13	14.00	17.88	13.88	3,222	.31	.27	14.8	NA	.80	NA	.....	9 mos.	09-88	824.4	.9	70.5	- 14.8	.66	- 14.3	2472.4	5.5	256.6	17.9	2.40	20.6
Masco Corp ..... N	25.38	.75	3.0	26.25	24.38	30.38	22.00	35,542	2.58	.83	210.8	12.9	.48	1.9	.....	9 mos.	09-88	614.0	13.5	73.9	10.8	.54	8.0	1829.0	23.6	239.0	27.1	1.74	22.5
Mor-Flo Inds ..... M	5.13	- .63	- 10.9	5.75	5.00	7.75	4.50	358	1.42	.50	184.0	NE	.01	.2	.....	9 mos.	09-88	52.5	6.9	- 1.9	NE	- .73	NE	162.0	4.9	- 5.8	NE	(2.29)	NE
Newell Co ..... N	28.25	.63	2.3	29.50	27.50	29.63	13.75	4,885	2.10	.94	123.4	15.0	.60b	2.1	.....	9 mos.	09-88	264.5	20.9	18.9	68.8	.70	89.2	734.5	77.1	40.2	68.9	1.40	55.6
Nortek Inc ..... N	9.13	- .25	- 2.7	9.50	8.38	10.38	6.38	3,195	2.14	2.55	- 16.1	NE	.10	1.1	.....	9 mos.	09-88	343.0	- 2.7	4.8	2300.0	.32	3100.0	1049.0	7.5	16.3	43.0	1.10	54.9
Owens Corn ..... N	22.25	- .25	- 1.1	23.50	22.25	26.50	15.88	10,134	2.53	1.49	69.8	4.2	.00	.0	.....	9 mos.	09-88	760.0	NC	59.0	NC	1.41	NC	2127.0	NC	139.0	NC	3.34	NC
Ply-Gem ..... A	11.88	- .50	- 4.0	12.63	11.75	15.63	10.00	1,303	1.21	.89	36.0	12.2	.12	1.0	.....	9 mos.	09-88	102.5	22.0	4.1	20.6	.36	20.0	298.0	25.9	13.8	31.4	1.22	34.1
Pope & Talbot ..... N	18.00	- .38	- 2.0	18.50	17.50	23.00	15.50	1,218	1.02	1.25	- 18.4	7.1	.50	2.8	.....	9 mos.	09-88	123.3	8.6	8.5	21.4	.71	20.3	361.0	12.8	23.3	11.5	1.95	12.1
Potlatch Cp ..... N	31.00	1.13	3.8	31.25	29.00	33.38	25.00	2,411	.90	.61	47.5	8.3	1.04	3.4	.....	9 mos.	09-88	273.7	10.9	28.3	25.2	1.02	25.9	798.7	8.0	79.3	26.5	2.85	27.2
PPG Inds ..... N	40.38	1.00	2.5	40.50	38.88	46.88	31.25	9,574	.87	.75	16.0	9.7	1.36	3.4	.....	9 mos.	09-88	1361.1	8.0	112.9	23.7	1.03	35.5	4185.0	8.6	365.3	30.2	3.32	41.9
Rep Gypsum ..... N	4.75	.38	8.6	4.75	4.25	6.88	4.25	960	.95	.33	187.9	23.8	.20	4.2	.....	3 mos.	09-88	12.3	- 4.7	.4	.0	.04	.0	12.3	- 4.7	.4	.0	.04	.0
Sherwin-Wms ..... N	25.38	- .13	- .5	26.00	25.25	31.63	24.00	6,710	1.53	1.01	51.5	10.9	.64	2.5	.....	9 mos.	09-88	547.0	6.8	37.8	1.9	.86	3.6	1501.0	8.4	82.4	8.0	1.87	10.7
Stanley Works ..... N	28.50	1.50	5.6	29.25	26.38	31.75	23.63	6,642	1.55	1.07	44.9	12.4	.96	3.4	.....	9 mos.	09-88	470.0	3.5	25.7	23.0	.59	22.9	1422.8	9.1	73.1	21.0	1.69	21.6
Thos Inds ..... N	18.50	- 1.00	- 5.1	19.25	18.25	23.31	15.00	1,427	1.30	.53	145.3	10.9	.69b	3.7	.....	9 mos.	09-88	89.0	8.0	4.1	10.8	.37	8.8	262.0	8.5	13.8	12.2	1.25	12.6
Union Camp ..... N	34.38	1.75	5.4	35.00	32.75	38.38	31.00	15,078	2.19	1.01	116.8	8.8	1.24	3.6	.....	9 mos.	09-88	669.8	14.8	75.1	32.9	1.09	41.6	1975.3	16.3	216.7	45.9	3.11	54.0
USG ..... N	5.63	.25	4.7	5.75	5.25	7.75	4.75	20,292	3.90	1.55	151.6	2.9	.00	.0	.....	9 mos.	09-88	586.6	- 22.1	2.6	- 94.1	.04	- 95.3	1708.0	- 21.4	82.9	- 55.7	1.59	- 56.2
Waxmen Ind ..... M	9.00	.13	1.4	9.00	8.75	12.25	5.91	759	.83	1.00	- 17.0	12.0	.10	1.1	.....	3 mos.	09-88	50.0	43.7	1.6	23.1	.18	28.6	50.0	43.7	1.6	23.1	.18	28.6
Weyerhaeuser ..... N	25.13	.25	1.0	25.63	24.75	29.50	19.94	31,734	1.56	.80	95.0	9.8	1.20	4.8	.....	9 mos.	09-88	1960.0	7.7	144.8	14.8	.70	18.6	5910.1	13.5	409.6	29.1	1.95	29.1

All Data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share

Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

Wickes management puts retail chains on the block

(Continued from page 1)

As *NHCN* went to press, Michael S. Sitrick, a Wickes senior vp, said the new owners are "seriously considering the sale of the retail businesses, but there have been no developments."

Jon Kutler, a Wickes board member and a vice president managing the Wasserstein, Perella office in Century City, Calif., said the firm put together a privately circulated offering memorandum "to provide information to interested parties."

He added, "We haven't established an asking price" for the retail companies, which include BE, OSH, and Wickes Furniture, a specialty furniture chain.

The three companies contributed $1.1 billion in sales for the year ended Jan. 30, 1988, and $57.3 million of Wickes' $274.2 million operating profit for the year.

No commitment to sell

Kutler emphasized that "we have not made a commitment" to sell because "to say we are definitely going to sell implies that we need to sell and will take any offered price."

Kutler declined to identify any prospective buyers other than to say that expressions of "international interest" have been received from "across the range," including financial institutions and retailers who apparently want to buy their way into the growing California market. The weekly *Los Angeles Business Journal* reported that potential buyers are Sears Roebuck, K mart and National Lumber.

National Lumber president Mel Jaffee could not be reached, but an assistant at his Fountain Valley, Calif., headquarters said she had no knowledge of the plan, calling it a "rumor."

Wasserstein, Perella's Kutler said it was too early to receive definitive responses to the offering memorandum. He declined to estimate how long it would take to find a buyer.

Sigoloff departs

In a related development, Wickes Chairman Sanford Sigoloff and executive vp Wilhelm Mallory resigned in early December, as was anticipated after the buyout.

A company source said there may be layoffs in the 150-person corporate staff in late January, when the current fiscal year ends. The new owners have said they hope to employ an autonomous approach with a stronger reliance on management at divisional operations (*NHCN*, Nov. 14, 1988).

The 58-year-old Sigoloff, meantime, has not announced his plans, nor has he given any media interviews since his departure from Wickes, Sitrick said. "He does not want to speculate" on his future business objectives, Sitrick continued. Sigoloff received a $5.8 million "golden parachute" severance package.

The high-profile Sigoloff guided Wickes through a complicated Chapter 11 bankruptcy proceeding in 1982. After it emerged from Chapter 11, Sigoloff went on an acquisition binge, buying businesses from Gulf & Western and Collins & Aikman and attempting, unsuccessfully, to acquire National Gypsum and Owens-Corning, with the latter effort forcing O-C to restructure.

His effort to buy his own company this past August later collapsed when an unexpected earnings decline provoked Wickes' investment banker, Drexel Burnham Lambert, to withdraw its financing. Nonetheless, Sitrick said Sigoloff's legacy is a company that is "totally restructured, reorganized, with a stronger asset base."

Levolor plots strategy after reorganization

(Continued from page 6)

• Selling off its corporate headquarters, which Lynch referred to as the "Taj Mahal." Levolor will relocate to the San Francisco area in the first quarter of 1989.

As Levolor refines its marketing and sales strategy to target the different segments of retailing, it will need to develop new programs for the high-volume home center account, according to Lynch.

This will be a major departure from its current strategy, which deals with special order blinds rather than the in-stock product.

"The home center industry needs programs to make it easy to sell off the floor, to stock the products, retail product training, and with marketing and merchandising programs to be more responsive to the customer walking by," said Lynch.

Not surprisingly, however, Levolor's competitors question whether it can carve out market share in stock blinds rather than the special order business.

"I don't see how it can compete on the stock side with manufacturers who have been in the business for many decades, producing drapery hardware, window shades, mini-blinds, vertical blinds," said Steve Thomas, vp-merchandising for Newell Window Furnishings.

"Levolor has the edge because of its name with the consumer, but it is at a disadvantage with home centers as its burnt a few bridges and will have to mend them to get back accounts," Thomas said.

Lynch's vision for the future is to have a whole "Levolor family of products" in home furnishings, including drapery and wallcoverings.

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84 Lumber plots major growth

By John Caulfield

EIGHTY-FOUR, Pa. — 84 Lumber is rumbling again about major expansion plans.

The 367-unit chain plans to open more than 200 stores nationwide over the next decade, which would bring its total close to 600. Based on the company's estimated average annual sales per store of $2.5 million, the additional units would put 84 Lumber's volume at around $1.5 billion.

To support that growth, the company is in the final stages of closing its six remaining regional buying offices, and will purchase all its merchandise directly out of its headquarters here.

In preparation for this expansion, 84 is in the formative stages of developing new programs for store management training, advertising and marketing, and operations. According to a company spokesperson, changes in the responsibilities of 84's corporate management are also being planned.

New manager opportunities

Joe Hardy Sr., 84 Lumber's president and owner, was unavailable for comment about the changes at his company. But in a prepared statement, he explained that this growth is being initiated to give store employees more career opportunities.

84 currently employs about 3,200 people, and the new stores are expected to create about 2,500 new jobs, including 1,000 entry-level positions. Four hundred current manager trainees will be promoted to co-manager and manager positions. About 50 managers will move into upper level management slots.

The company is revising its management training program, in anticipation of the need to have store personnel prepared to move in when stores are opened.

"You must change to meet the customers changing needs and act quickly," he said.

This hot air balloon, used to promote store openings for 84 Lumber, should be getting a real workout in coming years. Photo courtesy of 84 Lumber

Change, in the form of expansion, has been percolating in the mind of the 66-year-old Hardy for some time. In an interview with *BusinessWeek* in July 1984, Hardy envisioned a chain of close to 700 stores with sales of close to $3 billion by 1990.

Preoccupied with resort

Those plans were never realized, and for the most part 84 has been closing unprofitable units and opening new stores, with a net loss of around a dozen units over the past four years. (Over the past 31 years, 84 has built an average of 12 new stores annually.)

One reason the company expansion was put on hold was Hardy's involvement in developing Nemacolin Woodlands, a huge resort and conference center in Uniontown, Pa., which he purchased in 1987 and, according to a company spokesperson, has pumped more than $50 million into for a new health spa, a golfing academy, an executive conference center and the addition of 60 rooms onto an existing 30-room inn.

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Dealers test new way to calculate profit

By Edward McKinley

NATIONAL REPORT — Slowly, and with some hesitation, home improvement retailers are beginning to adopt Direct Product Profitability (DPP).

DPP provides a way of calculating profit for each item in the store by subtracting from the retail price the cost of the merchandise and the exact expense of handling. Proponents tout the method as more realistic than gross return on investment (GMROI) for assessing profits.

The calculation, which was made known primarily through the efforts of Proctor & Gamble and has been used by a growing number of retail sectors, is only now catching on among home center chains.

For example, Payless Cashways began using DPP, on a modified basis, in mid 1988. "And the first thing we noticed was how it was affecting our buying of seasonal products," said Brenda Nolte, a spokesperson for the 195-unit chain based in Kansas City, Mo. She noted that Payless plans to use of DPP "more extensively" this year.

Lowe's Cos., the home center industry's largest retailer, plans to use concepts associated with DPP to decide when to ship merchandise to distribution centers and when to ship directly to stores. "We're getting into the rudimentary stages of DPP," said Vaughn Hays, Lowe's vp-merchandising.

And The Home Depot, the 92-store chain with headquarters in Atlanta, has hired some DPP experts, but will not use the concept until it finishes with more pressing administrative concerns, including UPC scanning, an executive said.

(Continued on page 45)

Quake alarms shake up sales in Calif.

By Brad Altman

LOS ANGELES — Radon testing kits, move over.

The hot new products for California home centers this year will be earthquake warning and carbon monoxide alarms, if manufacturers get their way.

National Lumber, based in Fountain Valley, introduced "California Quake-Awake" in its 20 stores in late December and the product "took off like fire," said Curtis Allen, plumbing and electrical buyer for the chain, which sold 300 Quake-Awakes in two weeks, with no advertising.

The battery-powered device, which retails for $27.99, is said to sound an alarm a few seconds before a quake hits.

Several hardware stores in San Diego, meanwhile, are selling a carbon monoxide alarm manufactured by San Diego-based Quantum Group Inc. The CO*Star alarm, also battery-powered, has a suggested retail of $69.95.

It's hard to say how well these products work. *NHCN* contacted a number of scientific and governmental sources, none of which was ready to endorse earthquake alarm products.

Hall Dailey, a spokesman at the California Institute of Technology, Pasadena, Calif., said the university, which does earthquake research, "neither endorses nor evaluates products and the Quake-Awake has not been tested by us. We do not know whether it does or doesn't do [what is claimed.]"

At the California Office of Emergency Services in Ontario, Calif., an employee said that department, a branch of the governor's office, does not "express opinions" on products, but allowed that QuakeAwake "doesn't have our blessing."

These alarms are also stirring some debate among DIY dealers who wonder if they are a flash-in-the-pan.

(Continued on page 45)

NEWSBREAKS

HOMECLUB TAPS TRIANGLE EXEC AS NEW SENIOR VP-OPERATIONS: Martin Schaeffer, former general manager of Triangle Building Centers, which was purchased recently by Hechinger, will have two regional vps reporting to him at HomeClub.

LEADERSHIP COUNCIL INDUCTS TWO: Phil Mansfield, former executive vp of Hechinger, and Leonard Gertler, president of All American Home Center, go into the Home Center Hall of Fame during the Home Center Show in March.

INDUSTRY UPDATE

Lowe's 3Q income falls 6 percent

NORTH WILKESBORO, N.C. — Lowe's net income for the third quarter fell 6 percent, and its sales were essentially flat. For the three months ended Oct. 31, the industry's largest dealer generated $652,122,000 in volume, a 1 percent gain over the same period a year ago. But earnings fell to $15,893,000, or 43 cents per share.

Retail sales represented 58 percent of the chain's total volume. The company reported that "depressed housing starts and deflation have squeezed contractor sales and margins." In the first three quarters, during which Lowe's historically gets about 85 percent of its year's sales, volume was flat at $1,947,327,000. But net income rose 4 percent to $57,407,000, or $1.51 per share. Lowe's goal this year is to surpass its per-share high of $1.70 in 1984. (Between 1982 and 1987, Lowe's generated 23 percent of its sales and 15 percent of its earnings in the fourth quarter.)

The 299-unit chain also reported that its program to add 1.2 million square feet of retail space in 1989, with 33 new stores, was in full swing. Fourteen stores, ranging in size from 40,000 to 60,000 square feet, are currently under construction and are scheduled for completion by March.

West parent guilty of infringement

HARTFORD, Wis. — The company that owns West Building Materials and its importing division were found guilty by a federal court of infringing on the Nautilus trademark held by Broan Manufacturing, the ventilation and specialty products division of Nortek Corp.

A jury in U.S. Federal Court in Memphis, Tenn., awarded Broan more than $500,000 on Jan. 10. It found against Associated Distributors, the Atlanta company that is West's umbrella corporation, and Republic Manufacturing & Import Co., a subsidiary, for importing a bath exhaust fan from a Taiwanese manufacturer and displaying the products to look like a Nautilus fan.

Broan presented evidence showing the product's packaging, which included photographs of Nautilus fans with Nautilus' name visible. In a prepared statement, Donald Schlegal, Broan's president, called infringement actions "blatant violations of the law."

The 66-unit West was found to have sold the imported products in its stores from Nautilus displays and to have used Nautilus ad artwork in its promotions.

Richard Wilson, an attorney for Associated, called the award "unjustified," and claimed that "three quarters of the jury award was for future damages that haven't happened and may never happen."

He contended that neither Association nor Republic had anything to do with making the product or producing its packaging. The fans were purchased from Fortune International, a now-defunct importer that bought them from Taiwan. Broan did not name Fortune or the manufacturer in its suit. Wilson said the decision would be appealed.

Whirlpool to sell kitchen division

BENTON HARBOR, Mich. — Whirlpool Corp. has reached an agreement in principle to sell Whirlpool Kitchens, its kitchen and bathroom cabinet business, to a private investment partnership consisting of Bund Capital and John Malaspina.

Whirlpool spokesperson Donna McLean said no decision has been made on what will happen to the 12 Design Works Kitchen centers located in California, Colorado and Arizona (*NHCN*, Dec. 26, 1988). Whirlpool will take a loss of $45 million, or $65 a share, for the disposal of the business, she said. No financial conditions of the deal were disclosed.

Lanoga names new vp and cfo

REDMOND, Wash. — William P. Brakken has been named vice president and cfo of the 120-unit Lanoga Corp. based here. He formerly was treasurer and controller.

President Daryl Nagel said the cfo position has been vacant since Steve Hall left in May 1987. Brakken joined Lanoga in 1982 and has held several accounting and finance positions.

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HWI's lumber dealers celebrate mini-boom at their annual show

By Tom Bagsarian

ORLANDO, Fla. — This year's sales will very much resemble last year's for lumber and building material dealers affiliated with Hardware Wholesalers, Inc. This, according to executives for the co-op, is not bad news.

The buying group's officials, about 250 of its lumber dealer-members and 100 vendors had gathered at the Stouffer Resort near Sea World on Jan. 13 and 14 for the co-op's annual lumber market show. And HWI's people were smiling because they'd just perused December 1988 sales, which showed a 15.6 percent increase over the same month a year ago.

In addition, lumber sales that HWI was drop shipping to its members increased by 15 percent for the full year. Being near Disney World's Fantasy Land did not invalidate these figures, which are real.

"Even members in Texas are doing real well," said Ray Treen, vp of building materials at the 2,750-member co-op, which for the first time hit the $1 billion sales mark in 1988. "New residential housing may be down 3 or 4 percent, but we

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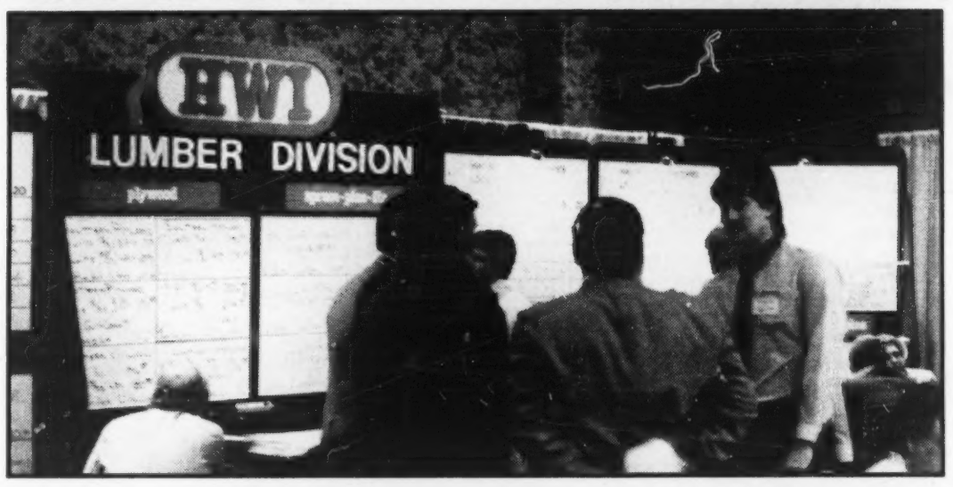

The bustle at the lumber booth at HWI's annual lumber market show indicates the degree of success dealer members had this past year in the category. NHCN photo

Westlake resigns from president's post

By Gary S. Ruderman

LENEXA, Kan. — Scott Westlake, the expansion-driven president of the 43-unit Westlake Hardware here, tendered his resignation from both the president's post and the three-person executive committee of the family-owned chain.

The executive committee and board of directors passed the mantle to store manager and shareholder Paul Kuckelman of Columbia, Mo.

The 36-year-old Westlake said in a press release he intended to remain active on the board of directors, hold "significant share ownership," but planned to "pursue other interests." He set no date for vacating the president's post. The decision, made in December but made public only Jan. 12, reportedly came as a surprise to the board.

While it was Westlake's decision, and board members described the resignation as "very amicable," there previously had been a feeling on the board "to move [the chain] a little slower," said Doug Burton. Burton, manager of the Chillicothe, Mo., store is one of three members of Westlake's executive committee. "Scott wanted to move faster than the rest of the board."

Westlake as a chain grew first from 1980 to 1985, doubling its number of stores to 35. Then, armed with internal capital from an estimated $80 million in sales, it began an acquisition binge in 1987.

(Continued on page 45)

Broadway For Your Home store misses the mark; shutters unit

By an NHCN staff editor

LENEXA, Kan. — The upwardly mobile, "status conscious, materialistic, competitive" shoppers apparently didn't shop at Broadway For Your Home's showcase unit in Lenexa, Kan., a Kansas City, Mo. suburb.

Craig Miller, Broadway's retail vp, said the two-year-old store, touted for its boutique look, closed Dec. 27 because it never met sales expectations. Broadway, which operates its original unit in Kansas City, has estimated retail sales of $13 million last year.

"The direction of the company could not wait" for better results from the store, Miller said in early January. Observers hinted parent Broadway Industries may shift its resources away from retail.

The investment and opening of the 40,000-square-foot store in Lenexa was predicated on home center industry growth and a 1985 demographic study.

Several months after the opening, Miller explained the demographics of the affluent area 10 miles south of Kansas City that led the company to invest: half of the 75,000 homeowners supposedly earned more than $35,000 a year and 25 percent of the homes were worth more than $125,000.

However, Miller now concedes there were too many changes in the actual market than what was expected from the 1985 demographic study.

"What stimulates [shoppers] to react has changed

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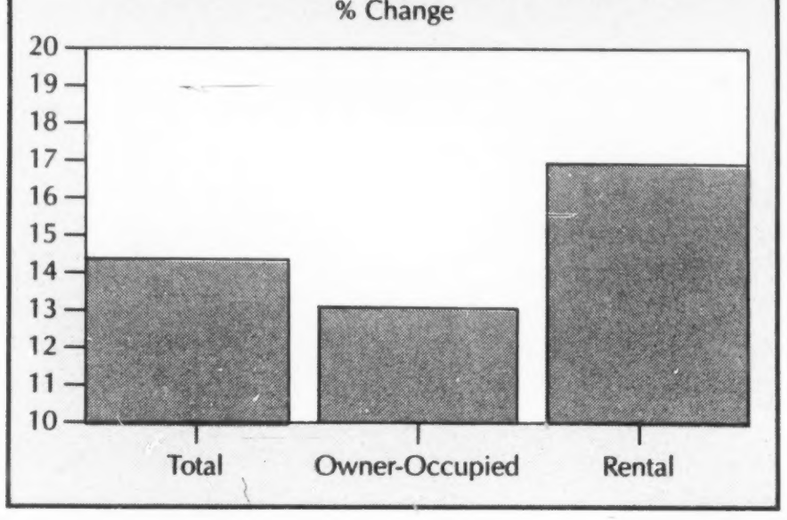

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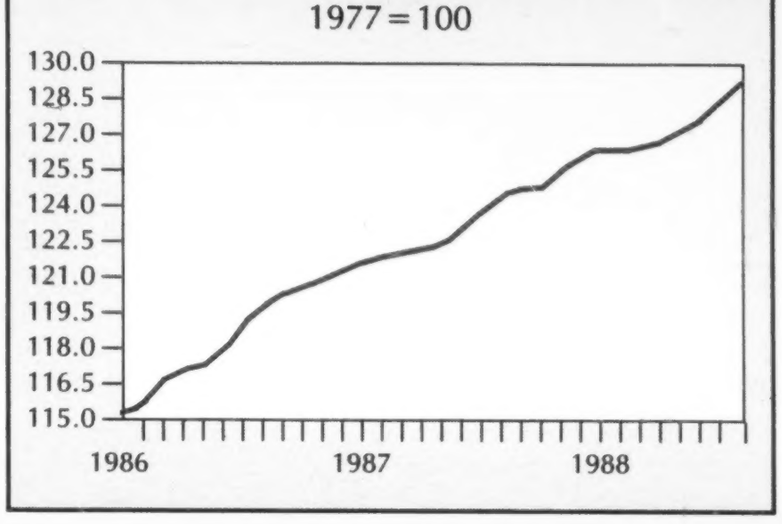

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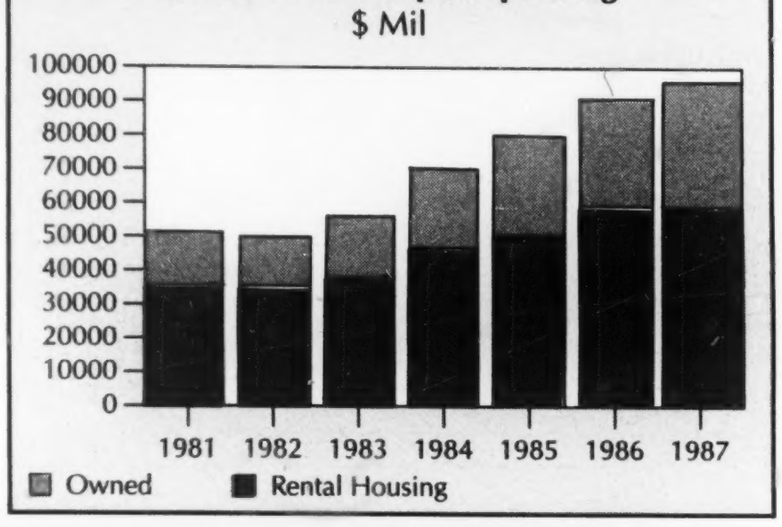


Rental improvement and upkeep create a retail growth market

By Richard E. Mount
Special to NHCN

Building material demand from the maintenance and improvement of rental housing has been a retail growth market in recent years.

From 1981 to 1987, we estimate that total spending for the upkeep and improvement of rental properties increased at a 15 percent annual rate, while for homeowner properties it was up only 8.5 percent.

Richard E. Mount

This raised rental properties from 30.5 percent of the total rehab market in 1981 to 38.3 percent in 1987. In that year, rehab spending for rental units rose 7.3 percent, and only 3.1 percent for owner-occupied. The rental market will continue to be a sustaining factor behind the 6.3 percent rise in building material demand expected for 1989.

The housing expansion of the 1980s has been stronger in multi-unit than in single family. Since 1980 the stock of rental housing has increased 16.7 percent, owner-occupied 13 percent.

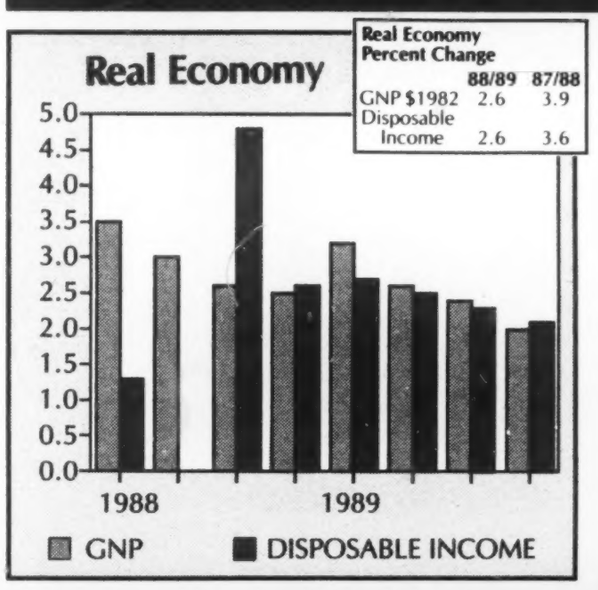
In 1985, rehab spending on rental properties in the Northeast rose 83.3 percent, and 134.8 percent in the West. In the Midwest there was a decline of 29.8 percent, while the South was up only 21.9 percent. Since then, the Northeast has declined due to the higher number of new units; the Midwest rebounded sharply as its economy recovered; the South recovered in 1987; but gains in the West moderated.

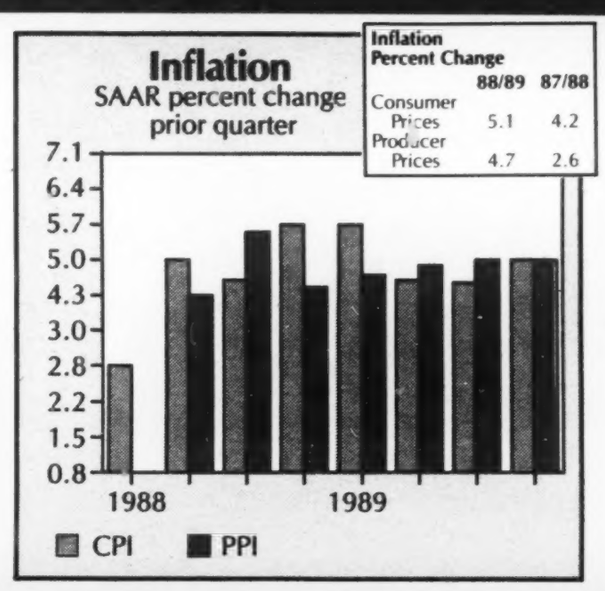
Increases in alteration and repair of rental units during 1988 and 1989 will not match the 7.3 percent gain in 1987. Rises of 2 percent in 1988 and 7 percent in 1989 appear more likely.

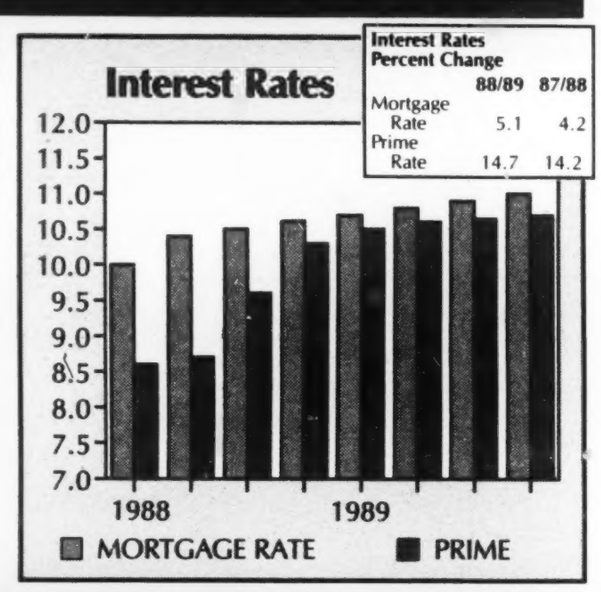
For building material retailers, about 38 percent of sales comes from the maintenance and remodeling of rental properties. While this market's growth will slow in 1988 and 1989, it will still be a major source of sales.

Richard Mount is president and chief economist with Mount Economic Consulting.

General Business Conditions







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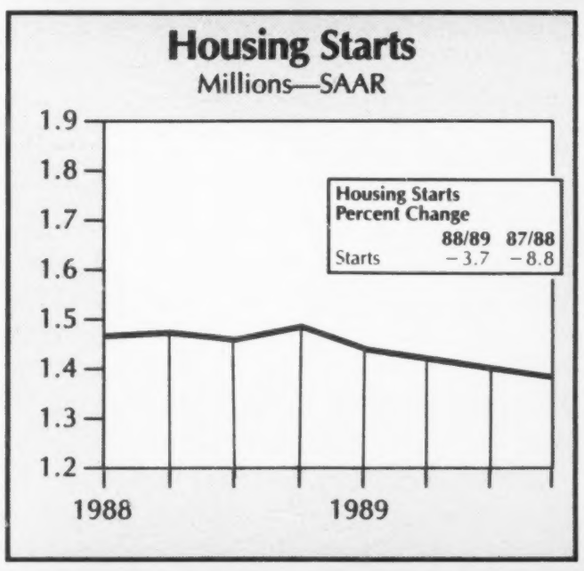

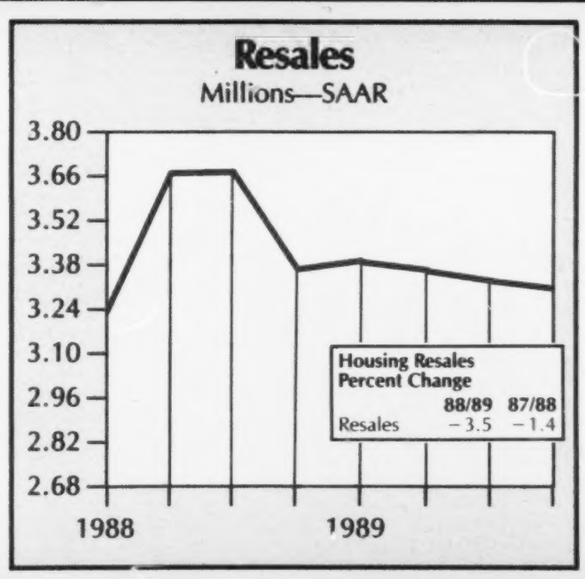

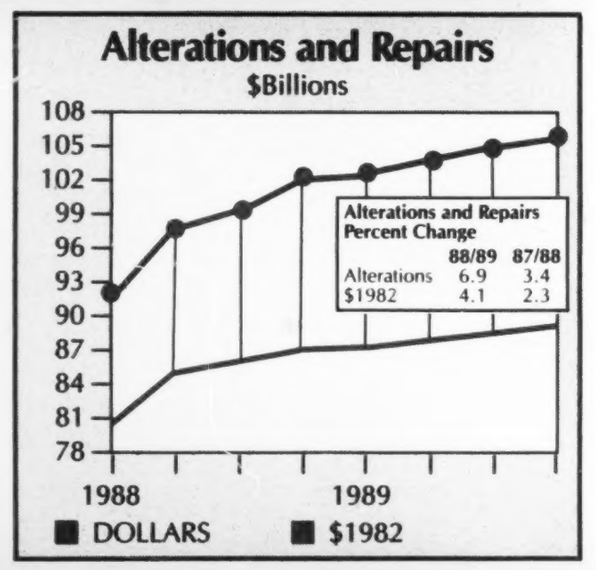

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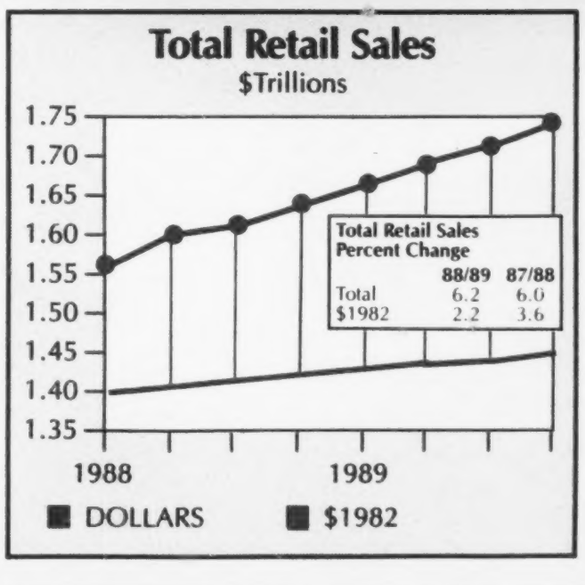

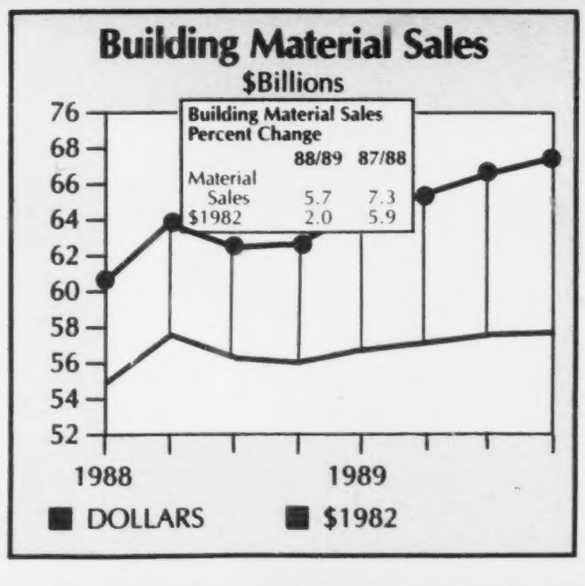

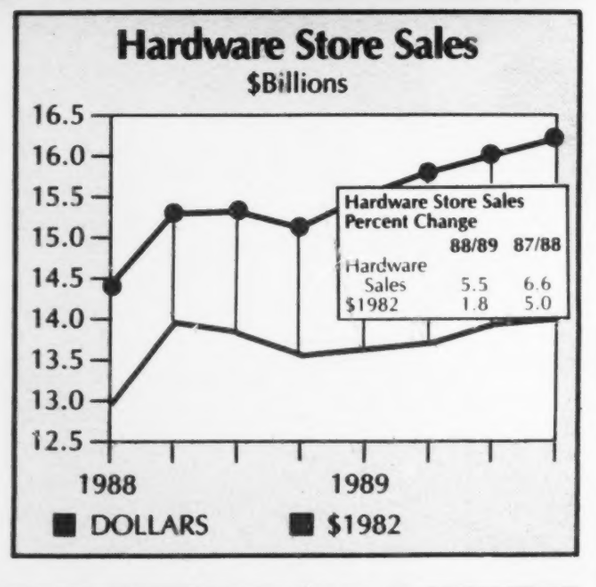

Data: Dept. of Commerce
Bureau of Labor Statistics
National Association of Realtors
Dept. of Housing and Urban Development

The Home Center Industry Outlook runs in two parts, one each month. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material and supply store sales.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart

Louisiana chain updates units, trims headquarters

(Continued from page 6)

But the worst may not be over, as Louisiana's 9.7 unemployment rate is the nation's highest, and its economy is still weak.

Now run by its founding family's third generation, Harry's has decentralized and gives its store managers more power. It has also increased its reliance on its buying group, Ace Hardware, from which it now buys 85 percent of its merchandise.

Its two units have been downsized to be more competitive. During the renovation of its 15-year-old store in Gretna, La., floor space was reduced to 12,000 square feet from 16,000.

This unit fights for what business there is left against a 70,000-square-foot West store only six blocks away and a Home Depot a mile away,

More basic items

Harry's merchandise mix has evolved with the economy and now places greater emphasis on basic hardware items. More expensive lines, such as barbecue grills, have been dropped.

It is turning to Ace, which has installed new regional policies, for products specific to the market, and will soon take advantage of Ace's regional ad program by using the co-op's regional printer and staff to do the designs and still produce a customized Harry's ad.

Last year, Harry's added United Parcel Service pick up, and during the Republican Convention introduced itself to the network television stations before conventioneers hit town.

As a result, Harry's sold $10,000 worth of materials, according to Don Shellist, vp-operations, including electrical supplies, rope and 80 duplicate keys for the bathroom.

This year Harry's will add $200,000 in sales from its new "premium" business, which supplies companies with products for premiums or giveaways. This profitable side business averages 18 percent margins, according to Phil Deutch, Harry's president.

Vice president Hal Becker runs the premiums program and is in charge of developing more commercial business as the outside sales person. His call list will include the local hospitals and the two universities as well as the blossoming hotel market.

Labor a problem

Back in the stores, Harry's still has trouble finding qualified help, as Louisiana's illiteracy rate is one of the highest in the country. It is common for applicants for store positions to fail the National Retail Hardware Association's standard reading and math tests.

Ten percent of its total work force is students working flexible hours; students make up almost 40 percent of its Carollton store workers.

"Most of the students are putting themselves through school and [they have] been a big benefit to that store," said Shellist.

Brian Starr, now a computer major, has been with the company since junior high school. He wrote 90 percent of the company's computer manual and is now working on programming for Harry's as part of his thesis.

84 Lumber rolls out major expansion plans

(Continued from page 1)

"So much of Joe's time has been taken up by the resort, but now he's turning his attention to growing the chain again," said Denny Brua, 84's vp-store operations.

Style will remain same

Brua thought that the company was likely to concentrate its expansion east of the Mississippi River and primarily in the Northeast.

Company spokesperson Cecil Brunton noted, though, that "we'll continue to look to open stores in all parts of the country."

Brunton said that 84's new units won't deviate from that which has served the company since its founding by Hardy in 1957: a 20,000-square-foot, unheated store on 3-to-5 acres stocking between 1,500 and 2,500 items and between $350,000 and $550,000 in inventory.

Brunton said finding the new sites would be handled by 84's Land Development division, which will be moved into a new 17,000-square-foot office. The expansion would be funded internally.

Centralized buying

Perhaps most dramatic of all 84 Lumber's plans is its decision to shutter its regional buying offices and buy all products out of its headquarters.

The company has been moving in this direction for the past few years, and had closed down its regional locations in Arlington, Texas and Denver prior to this latest round of moves.

The offices to be shuttered are in Reno, Nev.; Jacksonville, Fla.; Pineville, N.C., near Charlotte; Baltimore; Aurora, Ill., near Chicago; and Pittsburgh.

Brunton couldn't be precise about how many layoffs resulted from the closings.

84's centralization will require expansion of its headquarters facilities.

"We anticipate the need for over 250 entry level computer and clerical positions to cover not only new work but existing work of promoted office associates," said George Handyside, 84 Lumber's vp-administration.

It will also expand its current headquarters offices by 26,000 square feet by 1995.

With sales exceeding $900 million last year, 84 is the second largest private retailer in the industry behind Payless Cashways. It is tightly held by the Hardy family.

Broadway For Your Home shutters unit

(Continued from page 5)

since the store's conception in 1985," Miller said. He blamed "a dilution of the Kansas City marketplace." A Builders Square unit is slated to open a store in Lenexa next month.

Relying on demographic data they had assembled, Miller and Robert Potts Associates, Broadway's Dallas-based design house, redid the entire store to effect a group of small boutiques.

The store's 30,000 stock-keeping units were heavily slotted toward fashion items in kitchen and bath, but included the full line of hardware, plumbing and electrical basics.

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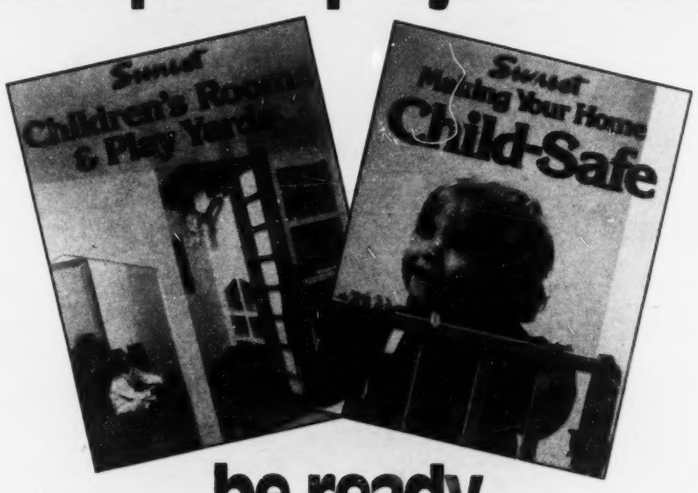

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Larg... ...benefit

By Ken Rankin
Washington correspondent

WASHINGTON — Federal Trade Commission plans to relax the antitrust ground rules governing cooperative advertising allowances offered to home center chains and other large retailers are coming under heavy fire.

The proposed changes could clear the way for suppliers to favor their larger retail customers when it comes to providing advertising dollars, and could be detrimental to home centers competing against huge discount and general merchandise chains for promotional funding.

Advanced last year by FTC antitrusters, the plans would ease key provisions of the Commission's 20-year-old "Fred Meyer" co-op ad guides, which require that promotional allowances and rebates from suppliers be made available to all competing retailers on "proportionally equal" terms.

Those guides, adopted at a time when the Federal Robinson-Patman anti-price-discrimination law was being actively enforced, were designed to prevent "power buying" chains from inducing manufacturers to offer them thinly disguised discounts not available to smaller retailers.

Indeed, the guides were issued following a widely publicized FTC investigation of co-op ad practices at Oregon's Fred Meyer chain. Today, however, the guides represent an embarrassment to FTC, which has virtually stopped policing the Robinson-Patman (R-P) law altogether.

Although the agency's proposed changes to relax those 1969 guides stop short of calling for the abolition of the co-op ad rules, FTC antitrusters did ask for comment on whether the guides should be eliminated.

(Continued on page 64)

For more retailer reactions, see page 64

National
Home Center News ®

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Home Depot plants the flag in prosperous Northeast

By John Caulfield

EAST HANOVER, N.J. — It may take New Jerseyans a while to get used to Home Depot's brand of customer service.

"I asked one guy if he needed help and he answered, 'You're the fifth person to ask me how I'm doing since I walked into the store. What's with you guys anyway?' " laughed Dave Huntley, who has opened stores for Home Depot all over the country. "I guess he's not used to being paid attention to up here."

Huntley currently is an outdoor products department manager in the chain's newest unit here, which represents Home Depot's initial foray into the Northeast.

New for consumers

Without fanfare and on an overcast, rainy day, Home Depot, this industry's largest and most profitable warehouse operator, opened its 95th store on Jan. 26 in this northern New Jersey town that's practically in the shadow of Channel Home Centers' headquarters, about a mile away.

Warehouse stores aren't completely foreign to New Jersey customers: Mr. Goodbuys and Grossman's have operated units of this kind in the state. And Builders Square has been operating in the Northeast for several months.

But customers expressed a sense of surprise when interviewed while walking the Home Depot unit on the first day, which, considering the weather, produced a good consumer turnout.

"I'm not sure if its prices are all that much lower, but this store definitely has more products than anyplace I've been to," said Randy Raffo, who was shopping with her daughter, Whitney. Raffo, who was purchasing electrical boxes, said she and her family have remodeled three homes in the past.

This newest Home Depot, in East Hanover, N.J., marks the chain's first foray into the prosperous Northeast. NHCN photo

Orest Padkowsky, a doctor who lives about a mile from the store, shops for home improvement products only when they are on sale. He had been wanting to buy the outdoor lighting that was in his shopping basket, along with a mishmash of other products, since the summer. "What's on sale here is really low priced," he said.

Lancelot and Leslie Tom rarely shop local home centers. But they were impressed with Home Depot's size and product selection.

(Continued on page 66)

SELLING PROJECTS

Residential Remodeling

The remodeling industry is expected to top $105 million this year, and many home improvement dealers are looking to claim their share of this market by molding their product offerings and services not only to adept DIYers but also to remodeling contractors, who serve as kind of good will ambassadors for the stores they frequent by recommending them to their customer clients.

Grossman's considers sell-off of chain after poor yearly earnings

By an NHCN staff editor

BRAINTREE, Mass. — Grossman's, the 246-unit chain that emerged from the bankruptcy of its parent company only 26 months ago, may be put up for sale.

The company has retained the services of investment banker Shearson Lehman Hutton to explore "strategic alternatives," one of which is the possible sale of all or major parts of the chain.

The decision to take these actions came simultaneously with the release by Grossman's of its fourth quarter and annual financial report, which showed substantial earnings declines.

The chain's earnings in the fourth quarter on $285.8 million in sales were only $586,000, or 2 cents per share, compared with $2.3 million in earnings in the same period a year ago.

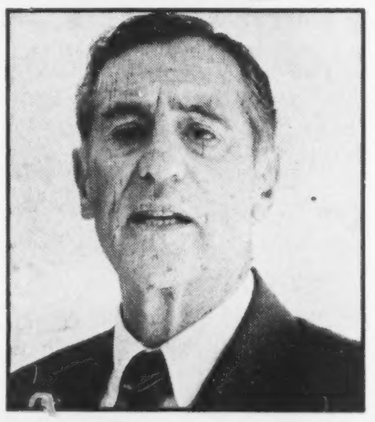
For the year ended Dec. 31, Grossman's net income fell 26 percent to $13.2 million, or 50 cents per share, on sales of $1.142 billion, which represented a 6 percent gain. Comp-store volume rose 7.5 percent in 1988.

Must speed up store fixup

The company's market value, based on a stock price of around $7.50 per share, is now only $200 million, which, according to calculations made by Reuters news service, is less than one-third the company's value several years ago.

A company official conceded that the decision to investigate new options was also precipitated by the expectation of explosive new store expansion into the Northeast, where the company operates 160

(Continued on page8)



Mike Grossman, chairman of Grossman's, Inc.

NEWSBREAKS

HECHINGER CRACKS $1 BILLION.: The Maryland chain hit this plateau for the year ended Jan. 25.

LLOYD'S PRESIDENT LEAVES: Tom Cawley, president of the Connecticut chain that is for sale, has resigned.

CLAIRSON TO MERGE WITH INVESTOR: The Ocala, Fla., supplier has signed a letter of intent with Citicorp North America. It plans to sell some divisions but hold onto Closet Maid.

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INDUSTRY UPDATE

Sabbeth opens Northeast DC

PLAISTOW, N.H. — Sabbeth-York, a division of the Sabbeth Industries, has opened a 35-acre distribution center and kiln facility to serve the New England market.

The facility can hold $8 million in softwoods, $4 million in hardwoods and purports to have in its 20,000-foot kiln plant one of the most modern wood waste kiln systems in the country. With its 15 rail car siding, the operation will also serve as a reload center.

"Our facility's completion enables us to handle our customers needs in the most professional and competitive manner of anyone in the our industry," said John Pondelli, president of Sabbeth-York.

Rickel begins work on Plaza mall

YONKERS, N.Y. — Rickel Home Centers has broken ground on a 35,000-square-foot store slated to anchor the new 70,000-square-foot Rickel Plaza scheduled to open in December 1989.

Lisa Rosenshien, a leasing agent with Rosenshien Associates, New Rochelle, N.Y., said the remaining 35,000 square feet has not been leased.

Frequently, Rickel piggybacks lease sites with Pathmark supermarkets, a sister company owned by Supermarkets General, but not this time, Rosenshien said.

There are no plans to add a Pathmark supermarket because Pathmark "needs a minimum of 50,000 square feet and it already has a highly successful supermarket located one-quarter mile away," Rosenshien explained.

The store is smaller than most Rickel outlets but company officials expect excellent traffic because the retail complex is located on Central Avenue, the main retail strip for Westchester County.

Grossman's opens wholesale unit

POMONA, Calif. — Grossman's opened its fifth southern California membership cash-and-carry wholesale warehouse in this Los Angeles County city.

The facility consists of a 66,000-square-foot warehouse and 49,000-square-foot drive-through lumberyard. The product mix contains about 7,000 stockkeeping units.

NHCN has also learned that Grossman's does not intend to fill the spot vacated by Joseph Vaeth, 61, who retired as president of Grossman's Western Region last September.

Western divisional managers Bob Pacos, located in San Carlos, and Frank Lynch, in Ventura, will now report to Grossman's chairman Mike Grossman in Braintree, Mass.

Vaeth was named president of Grossman's western region in 1987. Previously, he was executive vp and gm of the Moore's chain based in Roanoke, Va. He joined Grossman's in 1970 after his family-owned Atlantic Millwork Co. in Rochester, N.Y., was purchased by the chain.

Weiser to open plant in Tucson

HUNTINGTON BEACH, Calif. — Five months after the announcement of a plant closing and a restructuring, Weiser Lock named Tucson, Ariz., as the site of its new plant. Weiser president Jim Connors said the company is looking for an existing building or land to accommodate a 275,000-square-foot facility for assembly, packaging and plating. Connors and Tucson officials made the announcement last month.

Weiser will abandon its 750,000-square-foot facility here as it exits the non-residential lock market. According to a report from the investment banker Shearson Lehman Hutton on Jan. 12, the layoffs of some 500 of Weiser's 1,000 employees should cost the company about $13 million in severance pay. But the brokerage's analyst Gregory Nejmeh anticipates a "$40 million positive swing in cash flow from the sale of the [California] building and benefits from lower operating costs."

Production is expected to begin in Tucson with 300 employees in 1990. Until then, production will continue at the Huntington Beach, Calif., facility. Weiser, a division of Michigan-based Masco Corp., will retain is headquarters in Huntington Beach.

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Pergament gets new president in shift of chain's ownership

By an NHCN staff editor

MELVILLE, N.Y. — Robert and Murray Pergament have parted company.

The two brothers— who have seen Pergament Home Centers here grow from a single-unit hardware store their father Louis opened in 1935 to a 42-unit chain that last year did $300 million—have reportedly signed a letter of intent for the sale of Robert Pergament's half of the company to Murray.

Last month's pact came after several weeks of negotiations. It ends what has been described by sources familiar with the company as a volatile "love-hate" relationship that existed between the siblings.

Murray Pergament

It also produced a new president for the chain. He is Michael Lurie, the general manager of Pergament's highly profitable Hoboken Paint Manufacturing Co. in Lodi, N.J.

Lurie has been identified by sources familiar with the company as being Murray Pergament's "right hand man." He is said by people who know him to be a highly competent manager. And, according to one source, "he's always been kind of like Murray's adopted son; the relationship has been very close."

It could not be determined immediately if Lurie's promo-

(Continued on page 64)

ServiStar members go lean on stock hoping for a good 1989

By Tom Bagsarian

ORLANDO, Fla. — Larry Walker, a buyer at the Lester Group, the five-unit home improvement retailer based in Martinsville, Va., said his inventories are low and added that it appeared other ServiStar dealers are in the same boat.

"But don't tell the vendors that," said the same company's general buyer, Jacqueline Hopkins, in a hushed tone.

It's no secret, though, as vendors themselves know that members of the ServiStar co-op, as well as retailers in general, are trimming the amount of stock they carry.

Inventory reduction, and what officials at the Butler, Pa.-based co-op called a general optimism about business this year, set the tone for ServiStar's lumber and building materials buying show here on Jan. 10 and 11, which was attended by 600 of the wholesaler's 3,725 dealer-owners and 200 vendors at the Marriott World Center near Disney World.

"We see no recession in '89," said Paul Pentz, senior vp-merchandising, advertising and inventory control at ServiStar, the industry's fastest growing co-op with sales of $1.04 billion in fiscal 1988. Yet, he added that dealers

(Continued on page 68)

New England's National Lumber builds while others cut back

By Elizabeth Brent

NEWTON HIGHLANDS, Mass. — While many independents in New England are cutting expenses, National Lumber here is constructing a $5 million distribution yard and home center, slated to open in Mansfield, Mass., this spring. Another DC is planned for 1990 in Andover, Mass.

"Although there is a soft spot in the market right now, the lumber business always returns to strength and we want to be in the best possible place when it turns to take advantage," said Al Alkon, operations manager. "We're not building for tomorrow but the day after tomorrow."

The new 60,000-square-foot distribution center, next to a ConRail site, will help the two-unit independent to better service its tract builder customers, particularly in Cape Cod, Mass.; Rhode Island and eastern Connecticut.

The DC will also complement National's other two stores in greater Boston and Salem, in northern Massachusetts. National generated $40 million in sales last year, following a record $45 million in the previous year, and its stores' storage facilities could no longer handle the volume.

Targeting builders

The new DC will allow National Lumber to expand its in-stock position on laminated veneer lumber, kitchen cabinets and millwork, and trusses. Although the company does not manufacture trusses, it has a sophisticated truss design center. It might also add a prehung door and window assembly shop, according to Alkon.

The 10-acre Mansfield site will also feature a three-story building with the home center on the lower two floors and the company's offices above. In keeping with the company's philosophy, the home center's products and services will be targeted primarily to the builder, and will feature a 3,000-square-foot millwork showroom.

"We're departmentalizing the business [and] running it as if it were different businesses under one veil," said Steve Kaitz, vice president.

The unusual looking facility is designed by Barry Koretz Architects Inc. of Brockton, Mass. The DC is a combination of masonry and steel with distinctive, colored decorative block. The store is made of wood with curved windows.

The opening of the new DC will free up 15,000 square feet of warehouse space in Newton, which National plans to convert into a home center by combining it with the present office space. This could result in a 30,000-to 60,000-square-foot store.

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NAHB show reflects increased remodeler prominence

By Elizabeth Brent

ATLANTA — Snarled traffic and a white supremacist rally outside the convention hall did little to divert the 65,000 people attending last month's National Home Builders Show here.

Of more immediate concern to those walking the 400,000-square-foot exhibit hall was the impact rising interest rates could have on home building in 1989, the extent that first-time buyers were being crowded out of the market by escalating prices, and the degree that professional remodelers were becoming more important to the industry.

Once a show entirely for the home builder, it now targets the professional remodeler as well. At a seminar on remodeling trends, Walt Stoeppelwerth, publisher of *HomeTech*, commented on the need for a partnership between remodelers and home centers.

Remodeling Projections

	1988			1989			
	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Major replacements	20	17.3	17.7	17.9	18.1	18.3	18.5
Additions and alterations	50.2	42.7	43.5	43.9	44.3	44.7	45.1
Maintenance and repair	39.7	39.2	39.9	40.5	41.1	41.6	42.2
TOTAL EXPENDITURES	109.9	99.2	101.1	102.3	103.4	104.6	105.8

Annualized, seasonally adjusted, in billions of dollars

The above projections outline the continuing growth of the remodeling business, which was on the minds of many at the NAHB show. NHCN chart

Source: *NHCN*, Department of Commerce

Home affordability, especially for first-time-buyers, rising interest rates, and the escalating importance of professional remodelers were main issues at the home builder's show. NHCN photo

Show expands scope

"Every home center in America is going to be in the installation business," said Stoeppelwerth. "They are probably going to develop more programs for remodeling contractors, with approved lists for recommendations to consumers."

The belief that remodeling business will remain strong despite lower housing starts in 1989 was reinforced by a panel of remodelers and analysts assembled at a conference which was held by Georgia Pacific.

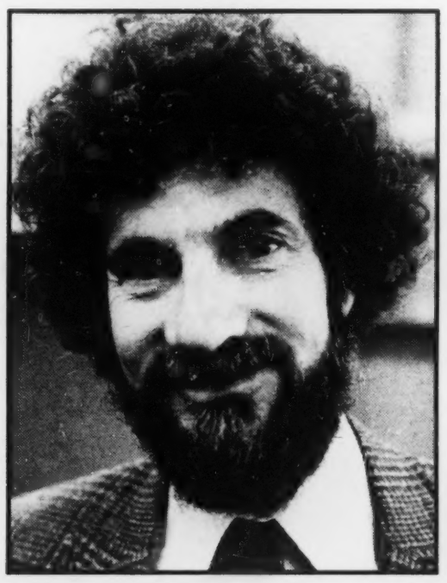
Robert Gluck, representing the NAHB's National Remodelers Council, cited demographic shifts as a key reason he foresees remodeling expen-

(Continued on page 15)

Home Center Leadership Council to honor Cohen, Mansfield and Gertler

By an NHCN staff editor

CHICAGO — Stanley M. Cohen, chairman emeritus of Central Hardware, was chosen this year to receive the home center industry's Pioneer Award.



Leonard Gertler (left) and Philip Mansfield will be inducted into the industry's Hall of Fame at the Home Center Show. NHCN photos

Also, Philip Mansfield, former executive vp of Hechinger, and Leonard Gertler, president of All American Home Centers, will be inducted into the Home Center Hall of Fame.

The honors were recently announced by the Home Center Leadership Council.

Cohen, 66, retired as chairman of the board at Central in February 1987 after working for the company since 1939, starting as an order filler. He is the third generation of Cohens to work for Central Hardware.

Cohen also served as vice president and member of the board of directors of Central's parent, Interco.

As of press time, it was uncertain whether Cohen's health would allow him to attend the Home Center Show to receive the award, according to his son, James Cohen, current president of the 37-unit chain.

Gertler, president of the one-store All American Home Center in Downey, Calif., said he was pleased to have been chosen for Hall of Fame honors.

"Consider that only six or seven people have been chosen so far, from million- and billion-dollar companies, and here we are, a one-store operation. It feels really good," Gertler said.

Mansfield could not be reached for comment on being named to the Hall of Fame.

Sigoloff and McNulty enter separate bids on BE units

By Brad Altman

LOS ANGELES — Five or six "serious" offers have been made to buy 119-unit Builders Emporium, including separate bids by former Wickes Cos. chairman Sanford Sigoloff and the co-founders of HomeClub.

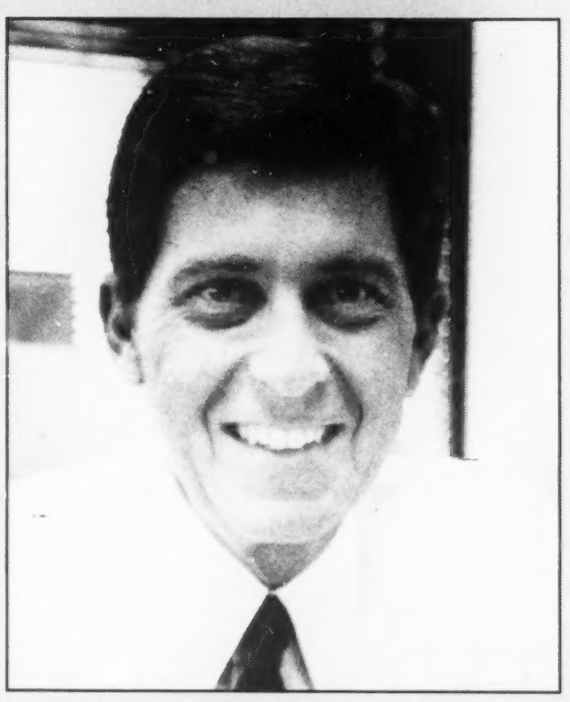
A group consisting of ex-HomeClub executives Robert McNulty and George Handgis, along with ex-W. R. Grace executive Tom Klimback, reportedly have obtained financing to bid for Irvine, Calif.-based BE.

They are not bidding for 30-unit Orchard Supply Hardware, San Jose, Calif.

Sigoloff, who resigned in December 1988 from the ceo post at Wickes, which is BE's parent firm, is said to be teaming with real estate developer Alexander Haagen of Manhattan Beach, Calif., to bid for BE, the company Sigoloff became strongly identified with because of television advertisements in which he appeared.

In a telephone conversation with *NHCN*, Haagen would neither confirm nor deny his involvement with Sigoloff, and called speculation about acquiring Builders Emporium "premature."

The potential purchase discussions came in the aftermath of two New York-based investment groups—Wasserstein, Perella Partners and Blackstone Capital Partners—taking BE and OSH parent Wickes private in December, then putting both DIY chains on the selling block to pay down debt (*NHCN*, Jan. 16).



Sanford Sigoloff, former Wickes' ceo, may be a suitor for buying Builders Emporium NHCN photo

John Kutler, a Wickes board member, said that the new company is actively marketing BE and OSH, adding that Wickes owns the land and buildings of approximately 20 BE stores and nine OSH stores, making the real estate a valuable asset.

There is speculation that some of the potential buyers who have shown preliminary interest include foreign and domestic corporations interested more in the land holdings

(Continued on page 68)

Money forces AHMA and NWHA to part ways

By an NHCN staff editor

PHILADELPHIA — After a 94-year marriage, the issue of money forced a divorce between the National Wholesale Hardware Association (NWHA) and the American Hardware Manufacturers Association (AHMA).

The wholesalers' group, based here, announced in January it plans to sponsor its own hardware show—the North American Hardware Convention—in October in Boston. NWHA executives expect 1,000 people to attend the show.

For the last 94 years the AHMA and NWHA sponsored the National Hardware Convention, the latest one being in Seattle last October. AHMA is the sole sponsor of the National Hardware Show and Hardware Industry Week in August.

Ostensibly, the split was over money.

"The purpose of our own convention was so the association will be financially self-sufficient," explained Thomas Fernley III, managing director of the NWHA in Philadelphia. "The combination was break even." Fernley declined to say how much money was made by the association at the convention.

"We can now determine how much we want to make," Fernley said. In total, the AHMA passed on $189,000 in funds from the National Hardware Show to fund NWHA operations during the last five years, the AHMA said.

In fact, the AHMA lost money on the Hardware Convention "with board knowledge and approval," explained AHMA president and ceo William Farrell.

Expansion planned

But it was the NWHA's wish to expand the show beyond AHMA members that caused the final split, NWHA members told *NHCN*.

Fernley said NWHA can now expand its North American Hardware Show to include lumber and building materials, housewares, electricals and automotive vendors.

However, Fernley couldn't comment on whether his association might join with another as a cosponsor for the new show.

AHMA president Farrell said his association "regretted" the split and is considering sponsoring another show.

Home affordability and remodelers top NAHB agenda

(Continued from page 7)
ditures growing from an estimated $100 billion in 1988 to $105 billion this year. Many baby boomers who have made home purchases in the past few years are tending to stay put and upgrade them.

Fran Jones, executive director of the National Kitchen & Bath Association, added that another significant development is the fact that 20 to 25 percent of homeowners run their businesses out of their homes. That, in some cases, is bringing about the advent of mini-kitchens, extra bathrooms, and bedroom conversions, fueling remodeling demand. He said that number was likely to reach 35 percent by the year 2000.

The conference included an announcement of a new certified graduate remodeler program. The program, put together in connection with the NAHB, is intended to give consumers a better handle on remodeler qualifications, said Barbara Squires. Squires represented G-P on the program's Board of Governors, which is attempting to improve the professionalism and qualifications of remodelers.

Keying on higher end

This was the first of three consecutive years the show is to be in Atlanta. One thousand exhibitors took space at the convention, and a number of vendors were featuring luxury items, especially in the plumbing and millwork categories.

Suppliers were promoting the more expensive products in their assortment because that's what consumers are asking for. Homes may get smaller in the future, but the customer wants them fancier, with teak baths, lazy-susan closets, cupolas and ceramic tile in every room.

This trend for grander homes was highlighted in the two show houses, the New American Home sponsored by *Builder* magazine, the publication of the NAHB, and NEST '89, the New Expanded Shelter Technology house built directly on the show floor.

Both featured dramatic high ceilings with skylights, roof windows and decorative molding.

Multi-purpose rooms or nooks were designed to accommodate an expanded family at weekends. In the NEST house, the guest room transformed into an office after the Murphy-bed was in folded into the wall; in the child's bedroom, the bed pulled up to maximize play space.

Scarce affordable homes

These are the types of homes builders are going to be constructing in the next several years, according to a survey of 705 walking the show. Sixty-five percent of those polled were currently building for the upgrade market.

By 1992 only one fifth of the builders planned to build for the first time buyer in the Midwest, 22 percent in the South, 32 percent in the Northeast and 38 percent in the West.

Ironically, housing affordability will be the main issue for the industry in 1989, and "Where Will Our Children Live?" is the theme adopted by the incoming NAHB president Shirley McVay Wiseman.

"We're pricing out the first-time home buyers, the young families. We have to address affordability," said McVay Wiseman. She has appointed a task force to identify three or four major issues contributing to the expense of housing.

But affordability will be hampered if the cost of borrowing money continues at its current upward pace.

Economists speaking at the show agreed that interest rates would rise by 1 percent for short-term loans and 2 percent for long-term loans, but disagreed over the timing.

They expressed concern over the effects of the rise in rates on adjustable rate mortgages (ARM's) and that these might continue to rise even if other rates stayed flat. For six months of 1988 ARM's accounted for more than three fifths of all mortgage closings, according to the NAHB.

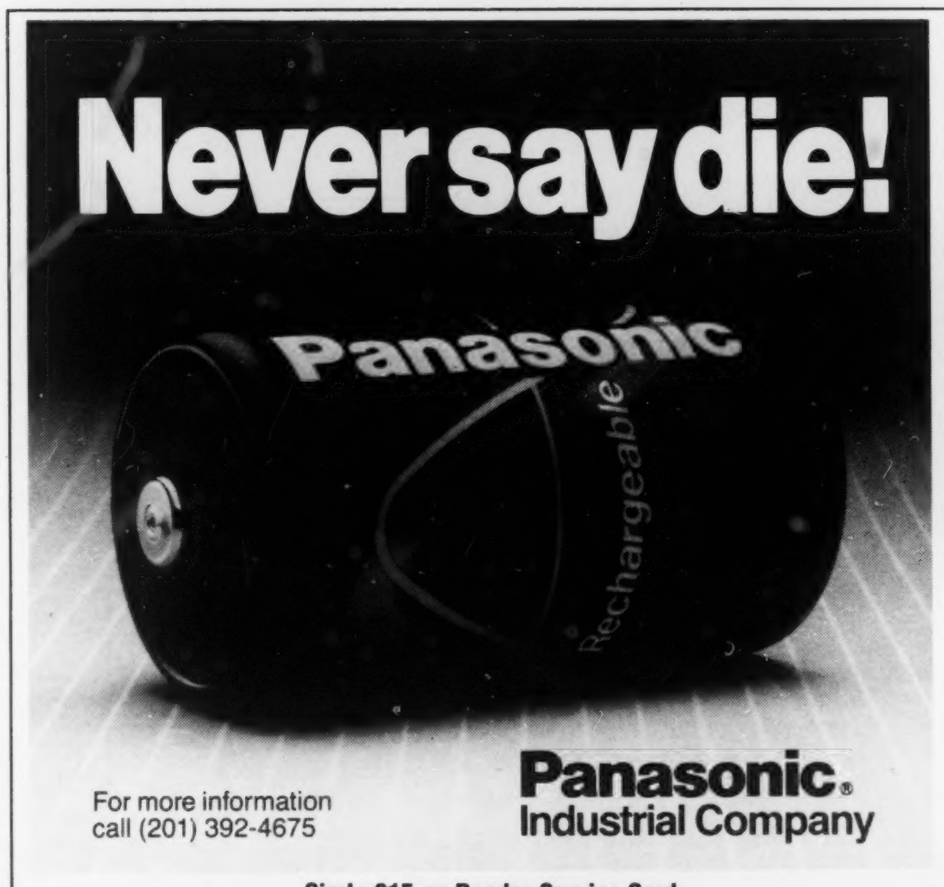
Consequently, the NAHB projected a total of 1.38 million housing starts for 1989. Single family starts will remain strong at around 1 million but multi-family housing is to fall below the recession levels of 1981 with a 6 to 7 percent decline, according to David Seiders, senior staff vice president and chief economist at the NAHB.

Seiders predicted rate increases by mid-year, but David Jones, economist at New York-based investment firm Aubrey G. Lanston, forecasted rises in the third quarter of 1989.

Lynn O. Michaelis, senior economist with Weyerhaeuser, commented that even with the economy slowing, inflation rates may still rise as the global economy is now the "wild card" due to the amount the U.S. owes to foreign lenders.

The abovementioned builder survey also revealed that:

- There is a regional difference in the expectations of home building industry, with only one third rating it good to excellent in the Northeast compared with 58 percent in the Midwest and 50 percent in the West;
- About 17 percent were planning to diversify to other types of construction activity;
- Homes with more amenities, such as fireplaces, jacuzzis and two-car garages, were to be the trend during 1989.
- Homes farther away from the center of the town would be a trend for 1989.



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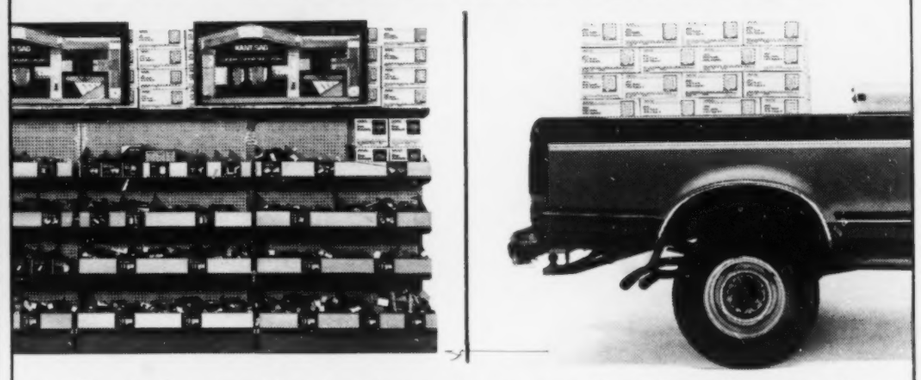

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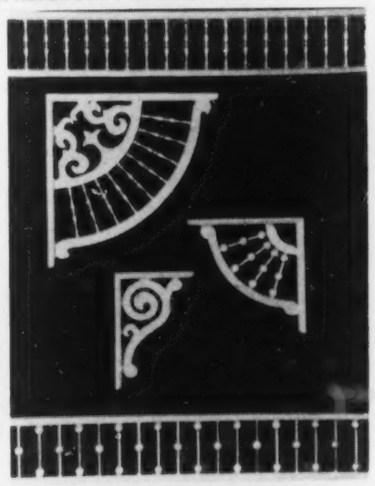

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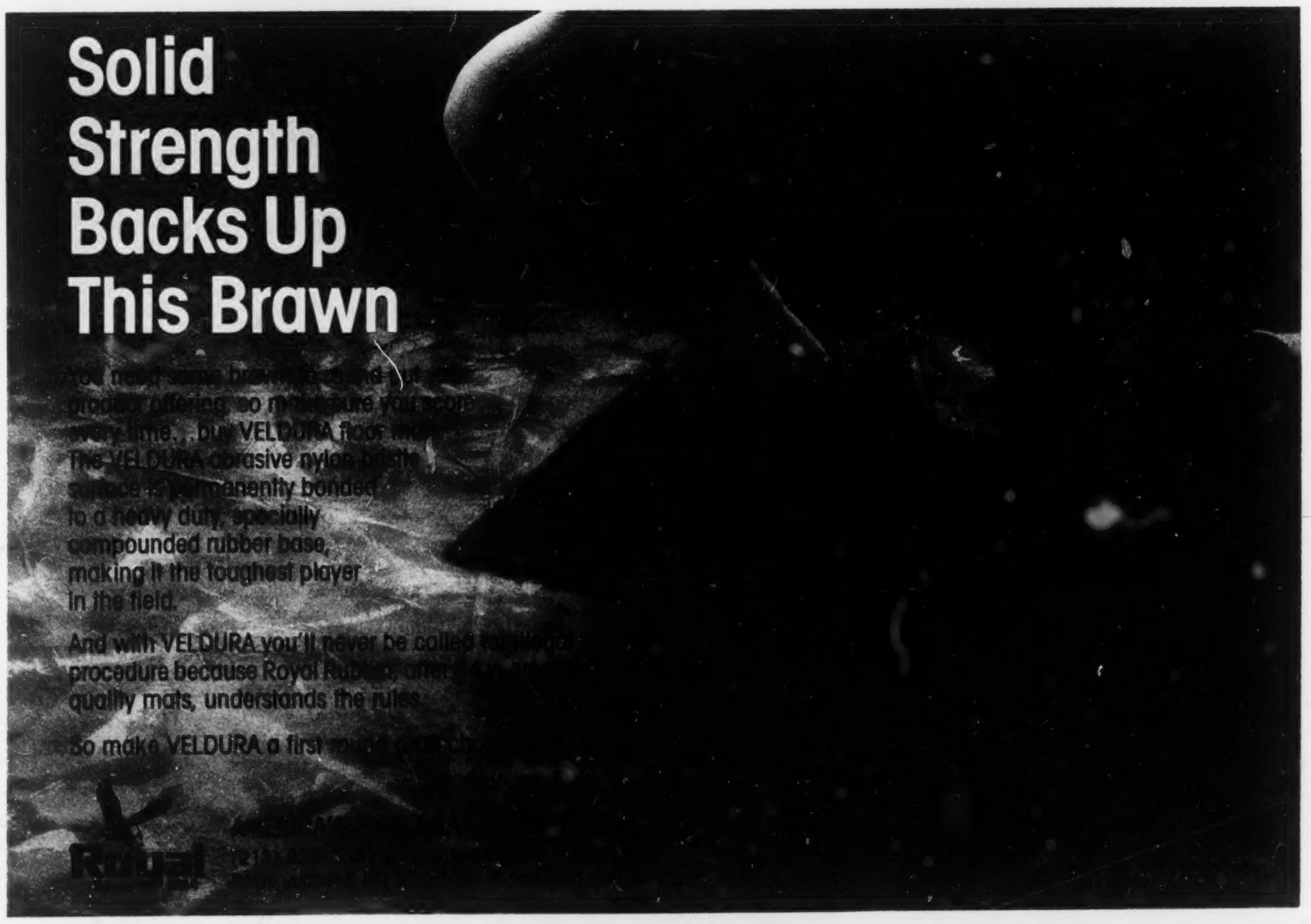
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"But what brings them back is the personal service," he continued. "It's product. We want to keep a personal atmosphere so they feel good enough to come back again."

At the time of this report, O'Brien was supervising three different project sites, one being a 60-unit condominium development called Georgetown Manor, the same as Tracey's.

All of the framing lumber, structural panels, drywall and roofing were purchased at Strober. When finished, the units will cost between $90,000 and $350,000.

In a business where time really is money, O'Brien can't afford to deal with second rate dealers or subcontractors.

"If my suppliers are not top, I'm not top," O'Brien said. "If I can't get my lumber on time, I've got 40 framers be-

One of the four boom trucks at Strober's Congers, N.Y.-unit the company uses to attract and secure business with contractors. The trucks can place 3,000 pounds of materials 32 feet high and within feet of a worker's jobsite. NHCN photo

ing paid to sit around to do nothing.

"A retailer can save me money and he can lose me money.

"So I'm not buying here [at Strober] because of price or something. I can get a 2x4 at 62 other places if I want. They've put together the services and they know my operation."

Strober, O'Brien said, has been saving him money. One of the services Strober employs that does this is its fleet of boom trucks. These vehicles, with crane-like arms, permit the placement of materials not only at the job site but within feet of an individual worker's location.

The arm can lift a 3,000 pound load to a maximum height of 32 feet, roughly the height of a three story building. (Strober's booms that operate in New York City have twice as much weight and height capacity.)

Strober recently delivered several hundred bundles of roofing product to the condominium site, each bundle weighing 50 pounds.

"If our roofers had to move that load themselves, it would have taken a full day," O'Brien said. "But [Strober] could put it right on the roof. So they've eliminated a labor step, which helps me save money.

Dealers aggressively beginning to target the remodeling contractor

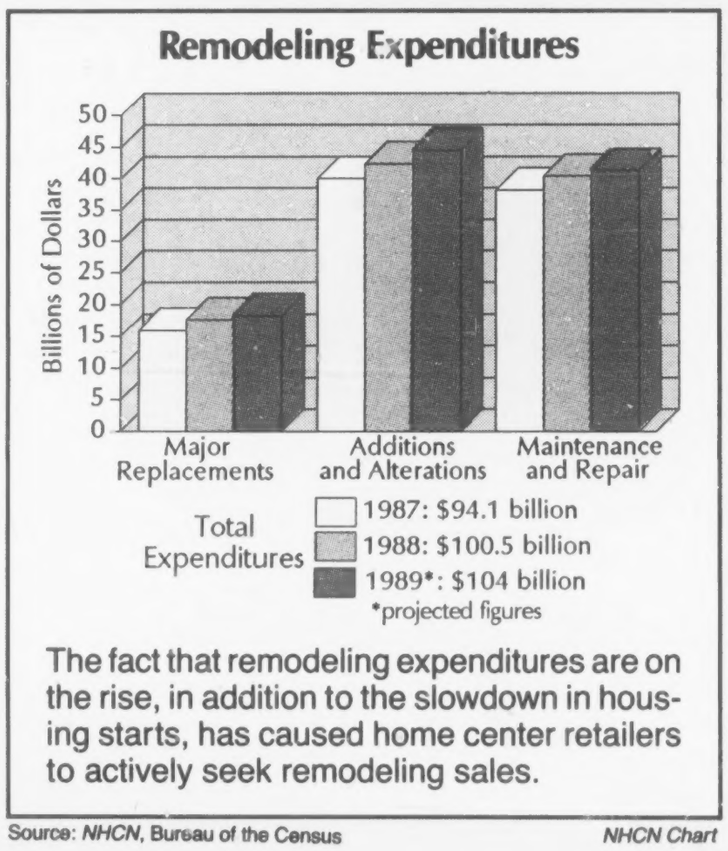
By Gary S. Ruderman

NATIONAL REPORT — It was a different type of contractor night at the General Building Products store in Bethpage, N.Y., on Jan. 26.

"It wasn't a sell job," explained Len Kapiloff, vp of retail sales at General. "This is a lecture on how to make more money by managing your business better."

Instead of products, the major portion of the presentation, aimed at representatives from the 600 invited companies, was the survival and growth of the repair and remodeling sector.

Retailers are now going after the remodeling contractor with an aggressiveness that has not been seen in years, as evinced by General's contractor night, the independent Fleming Lumber's two-hour delivery service to contractors in Los Angeles or the push for more targeted marketing by Payless Cashways, the industry's third largest chain, and the 12-unit Gerrity Lumber' strategy in New Hampshire.



The fact that remodeling expenditures are on the rise, in addition to the slowdown in housing starts, has caused home center retailers to actively seek remodeling sales.

Source: *NHCN*, Bureau of the Census NHCN Chart

Keeping remodelers shopping

All this activity is, in part, a response to a slowdown in home building. Overall, 1989 housing starts are expected to be between 1.35 million and 1.4 million, a drop of 6.5 percent over 1988, according to the National Association of Home Builders (NAHB). In most major metro areas, starts are expected to drop anywhere from 3 percent in the Pacific region to 30 percent in the New York area.

And the repair and remodeling (R&R) contractor specializing in room additions will feel more heat in the future, according to the Remodeler's Council of the NAHB.

According to a report issued at the NAHB's show in Atlanta last month, builders—including tract home builders—said remodeling business grew 42 percent over the last five years from an average $790,000 per company in 1983 to $1.2 million last year.

Latest target customer

Consequently, home improvement centers want to get more of those remodelers into their stores, especially this year before the anticipated rebound in home building in 1990 takes hold. Dealers are using all kinds of methods to lure these customers.

The 10-unit General, based in Medford, N.Y., was selected by one of its vendors, Owens-Corning Fiberglas, to host the business management seminars mentioned above in the New York and New Jersey metropolitan markets, Kapiloff said.

The presentation, geared to the room addition contractor, starts with a videotape on how the predominantly small contractors can better manage their businesses, followed by two presentations on contractor-oriented products such as windows and kitchen cabinets. Then contractors get a walk-through of the store. Kapiloff thought the evening gave contractors a chance to meet store personnel.

"We knew we always had that clientele but we never went after it in a big way," he explained. General is aware of the slowdown in tract building starts and the retailer "needs to identify and keep that [contractor] in our store."

Lowe's, the industry's largest retailer, is another chain that is studiously evaluating how best to attract remodelers. Even though the North Wilkesboro, N.C.-based company gets nearly three fifths of its sales from consumers, Lowe's also tracks purchases by an estimated 40,000 accounts who have been issued the chain's Remodelers Card *(see story, page 34)*. The 300-unit retailer adjusts stock and capital equipment to meet those needs.

Services, marketing change

The proliferation of contractor nights throughout the industry is symbolic of the remodeling contractor's "hunger for knowledge," said Jack Dempster, vp and general manager of Fleming Lumber in Los Angeles. "Ten to 15 years ago, it wasn't that way. [Now] we hold them every 60 days."

Fleming, with $11 million in sales in 1988, knows its clientele and works hard to keep them, said Dempster. He said the single-unit independent's edge is its aim to save time for its remodelers.

First, most of Fleming's orders are by phone because of its reputation for high-grade lumber. "If they know they'll get quality lumber, they don't have to come in and pick it out," he said. And Fleming offers two-hour delivery for orders under 2,500 board feet. The demand forced it to add two new trucks in the last two years.

Company officials visit mills six times a year to assure quality. With "tract house quality" lumber—which Fleming won't sell—20 to 30 studs per 100 come back.

Another retailer that's seen the drop in housing starts and begun to react is Gerrity Lumber, the 12-unit firm based in Meredith, N.H. Elliot Putnam, executive vp and gm of Gerrity, said discussions are underway to change its advertising to garner more room addition/project business and more DIY sales.

"We don't want to change our image," which is solidly contractor-oriented, explained Putnam, but the company is retargeting advertising to reach that remodeler.

Putnam said Gerrity is acutely aware that the R&R contractor will become more important overall as Gerrity garners almost 75 percent of its estimated $35 million in sales from the contractor. (The number varies 10 percent with summer DIY sales in the vacation areas.) He said New England new home starts dropped 27 percent late last year.

The remodeler will be crucial to the future success of Payless Cashways, the 193-unit chain based in Kansas City, Mo., which is banking its next five years' sales and earnings on boosting its business with these customers.

One way Payless will do this is through direct mail, which the company will favor over using television advertising. Payless reportedly will trim its ad budget this year by more than $8 million as it moves in this direction.

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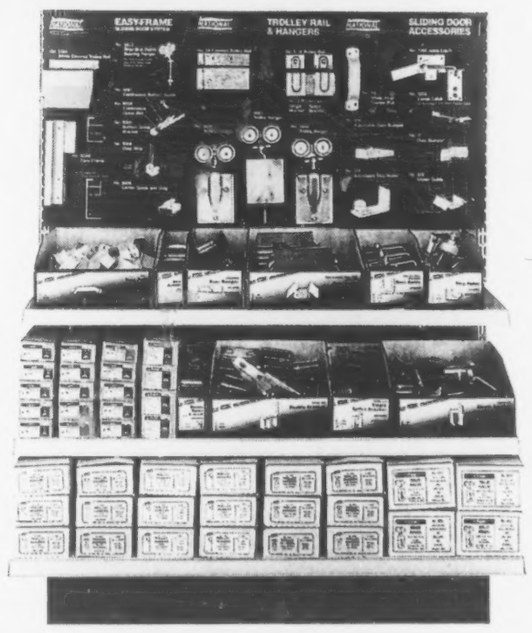

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SELLING PROJECTS

One in ten adults completes bathroom remodeling or deck building project

By an NHCN staff editor

NEW YORK — A recently released study reports that more than 28 percent of all adults in the United States completed at least one of nine home improvement remodeling projects last year, a 2 percentage point increase over the the previous year.

The two most popular jobs—remodeling a bathroom and building a deck, porch or patio—were completed by more than one in 10 American adults.

It appears as well that the relative propensity for people in different demographic groups to conduct repair and remodeling jobs is drawing much closer to the overall statistical profile of the typical remodeling adult, with some interesting variations.

The study also corroborates data showing remodeling activity nationwide growing at a pace that is at least equal to retail home improvement sales. Dealers who are shifting their emphasis towards servicing the remodeling contractor need to take into account the ideas of the home owner in deciding how a job is completed.

The study, taken from a demographic break out from the U.S. Profile of DIY Consumers based on the Fall 1988 MRI, was compiled for *NHCN* by *Practical Homeowner* magazine. Its findings are culled from interviews, in two waves, with 20,142 U.S. adults, who are projected to represent the 176,460,000 adults in this country.

More remodeling being done

The study is broken down into nine different remodeling jobs and by a variety of demographic elements—age, sex, household income, worth of home and geographic area. Of the nearly 50 million American adults who completed a project in 1988—three million more than in 1987—more than one fifth remodeled a bathroom, about 17 percent added a deck porch or patio and more than 16 percent remodeled a kitchen or "other rooms."

A composite of the adult who would engage a remodeling project is between 35 and 64 years old, lives in the Mid-Atlantic states, owns a house worth between $50,000 and $100,000, and earns between $25,000 and $50,000 per year.

There is nothing typical, however, about who are the most active remodeling adults, as defined by an index devised by the study.

This index takes the percentage of the total adult population that any demographic group represents and divides that into the percentage in that group who completed a remodeling job. Simply put, women represent 52.32 percent of all U.S. adults. But only 50.63 percent of the kitchen remodeling jobs were done by women. Consequently, women's activity index in this job category is 97 on a national base of 100.

The study shows that adults with incomes ranging from $50,000 to $100,000 and more than $100,000 are far more "active," as a proportional ratio, than their lower income counterparts. The same would be true of adults owning homes worth more than $200,000 and those living in New England.

Nevertheless, on an individual, job-by-job basis, the index and the numerical tabulation are remarkably close.

Among the 1.29 million adults who had a garage added or extended, half were 35 to 64 years old, 56 percent made $25,000 to $50,000, 55 percent were women, about one-quarter lived in one of the Pacific states, and more than one third lived in a home worth between $50,000 to $100,000.

The highest activity indices were also in these demographic groups, except in the home value category: people living in $200,000-plus units registered an index of 194 (with 100 being the national base), compared to 127 for the $50,000 to $100,000 group.

Going through the respective remodeling jobs, one finds a number of surprises both on the statistical and the index sides.

Virtually all of the most active adults who converted a basement, attic or garage to living space lived in New England or the East Central states, with the greatest number of these jobs being completed in the latter region. (This may be skewed because houses in some areas, such as the Southwest, don't have basements.)

Among the 1.33 million adults who added a bathroom, the most active by far were living in New England and the West Central states, and had household incomes of $50,000 to $100,000, even though the highest *number* of adults adding a bath—49 percent—earned $25,000 to $50,000.

Another mild shock was how little remodeling was being done, relatively speaking, by certain groups. Only in converting a room to living space were 18 to 34 year olds the numerical leaders. Statistically, people making over $50,000 lagged behind other income groups in all jobs (but the group lead in five jobs when evaluated by index).

There was only modest remodeling done by people whose homes are worth $150,000 to $200,000 by either real and indexed barometers. And there isn't much activity going on in the Southwest, according to the study.

On the positive side, there was a remarkable amount of actual activity going on in the West Central states, which were exceeded only by the Middle Atlantic for the number of adults who completed projects. And the Pacific area held its own as well, even though in some jobs—specifically deck building—it registered an abysmal activity index of 88.

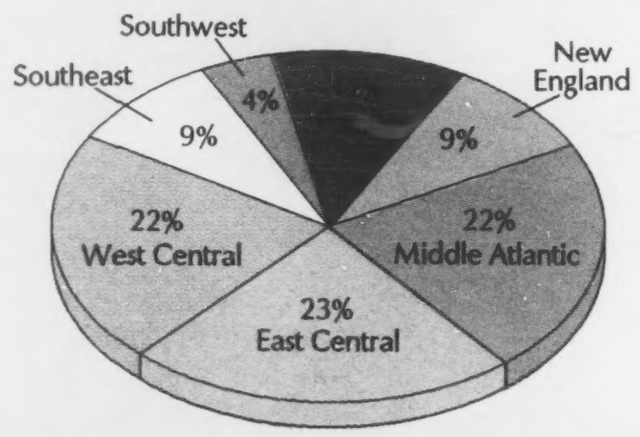
And retailers will be encouraged by the fact that the more affluent adults showed the highest propensity towards remodeling in the study. Even though their numbers were small, people owning homes worth more than $200,000 availed themselves well in seven of the nine remodeling categories.

Practical Homeowner did a special break out for *NHCN* that traced how much adults spent on certain jobs. It found that about 1.2 million spent $3,000 or more to remodel a bathroom, 1.6 million spent at that level to remodel a kitchen, 400,000 paid $3,000 or more to add a bath and 540,000 made that kind of capital investment in their homes to add or extend a garage.

Convert Basement/Garage/Attic To Living Space

Number of adults completing job in the past twelve months: 2,275,000

Percentages by region



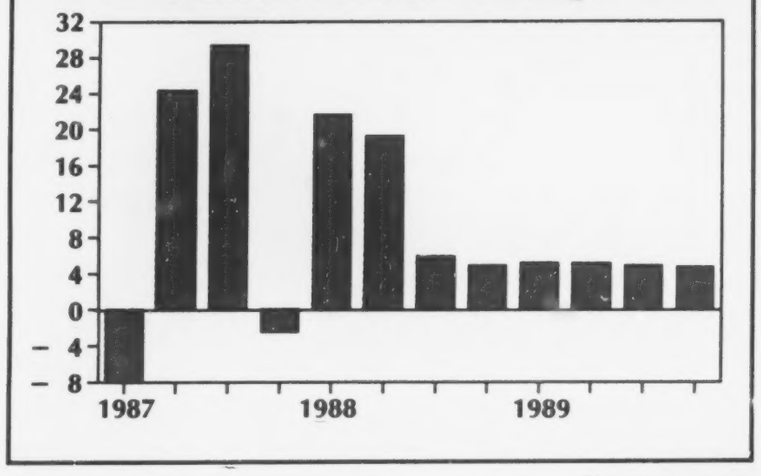
This MRI study for space conversions might be skewed by the fact that houses in some areas, particularly the Southwest and Southeast, tend not to have basements.

Source: "The U.S. Profile of DIY Consumers" MRI Fall 1988

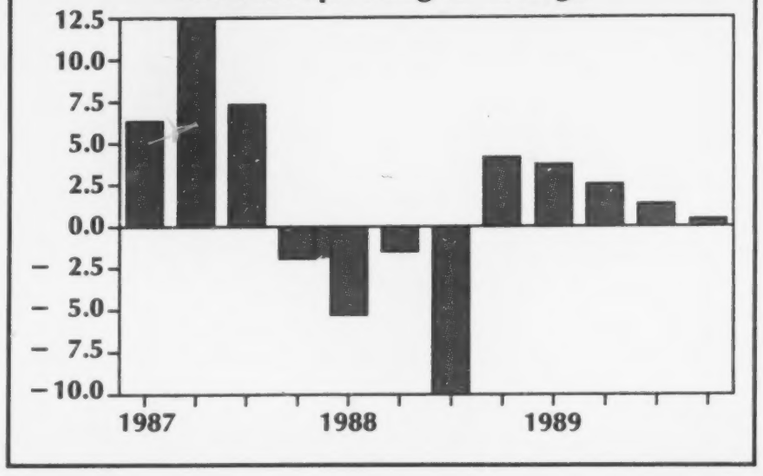
Business Watch

Section 4

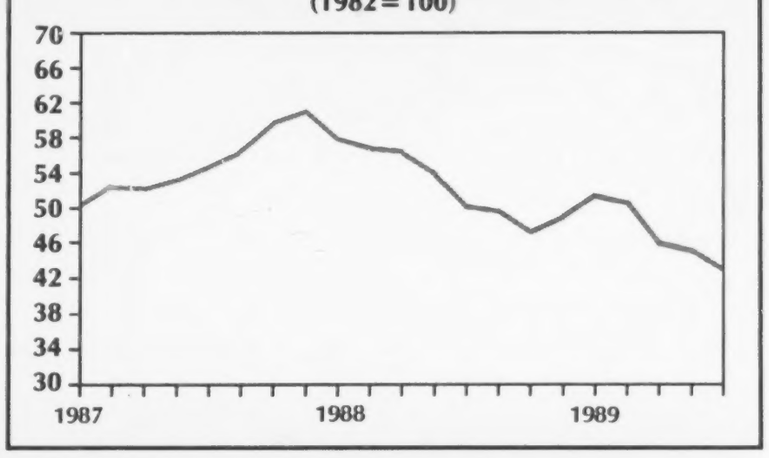
Stronger business investment . . .



. . . reductions in defense spending . . .



. . . and soft energy prices affect all regions in 1989.



LBM sales will show modest gains, with regional variations

By Richard E. Mount
Special to NHCN

While national building material sales will advance 5.4 percent this year, regional variations will exist, ranging from an expected high of 6.6 percent in the East North Central states to a low of 3.8 percent in the Middle Atlantic.

The strongest markets for building materials should be the East North Central (up 6.6 percent), South Atlantic (up 5.9 percent) and East South Central (up 6.2 percent) states. The strength in the national economy this year will be concentrated in capital goods and exports, which are concentrated in the East North Central, East South Central, and West North Central states.

Richard E. Mount

Both New England and the Pacific have similar economic conditions. These two regions enjoyed rapid growth during the early years of the national recovery, but these gains will moderate during 1989. New home prices in these two areas are high, limiting affordability for new households.

The West North Central is a different picture. The farm economy is recovering, while capital spending will boost employment in Minnesota and Missouri.

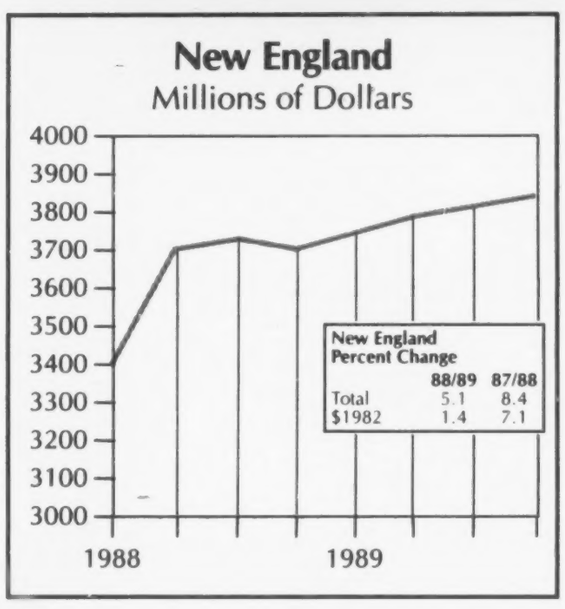
The Middle Atlantic states should be included with the group of regions expecting moderate growth. But due to preliminary data for the fourth quarter, late-1988 sales showed a rapid increase. This jump in quarterly sales makes 1988 exceptionally strong.

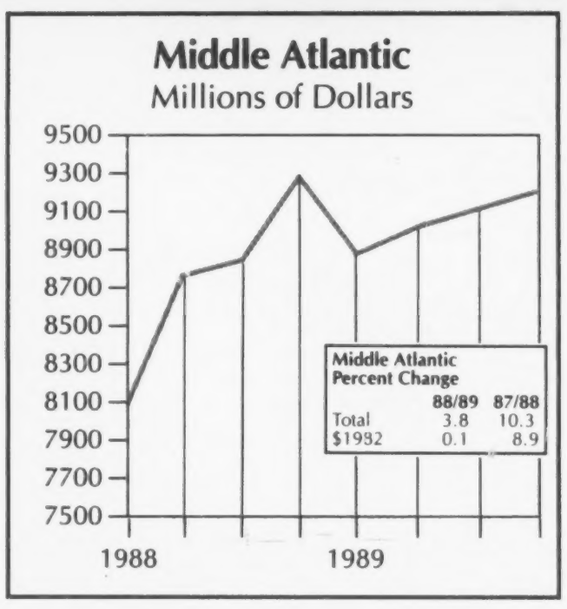
The West South Central and Mountain states should be the weak markets in 1989. Dollar sales gains of 4 to 4.5 percent are expected for this year.

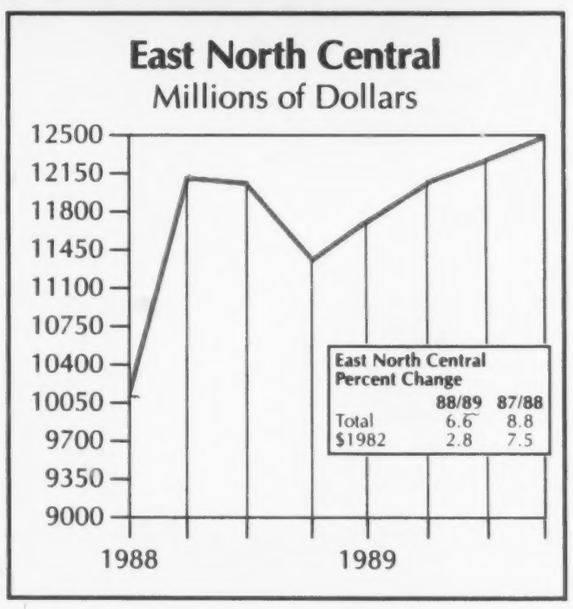
Energy prices are a major determinant for building material sales in these regions, which face over-built office and housing markets, keeping building material demand in check.

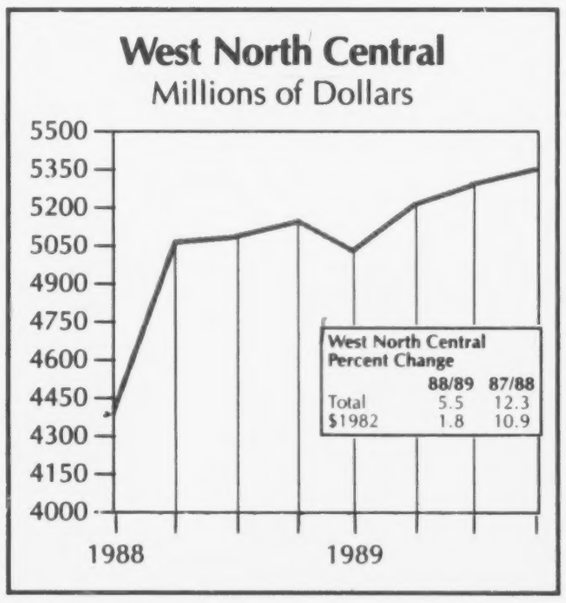
Richard Mount is president and chief economist with Mount Economic Consulting.

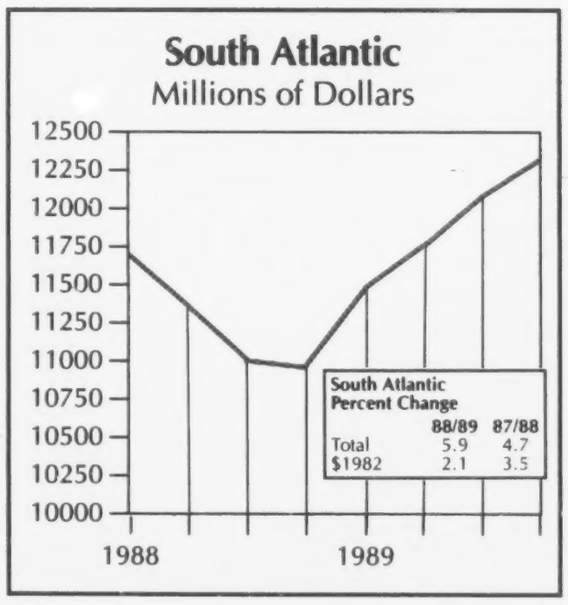
Regional Outlook: Building Material Sales

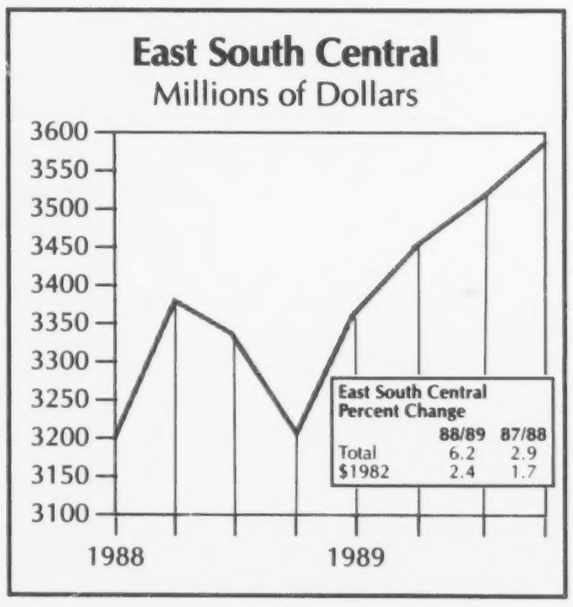


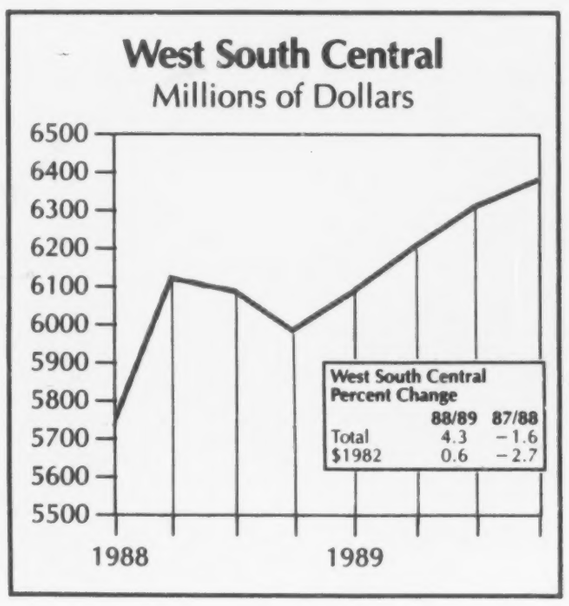


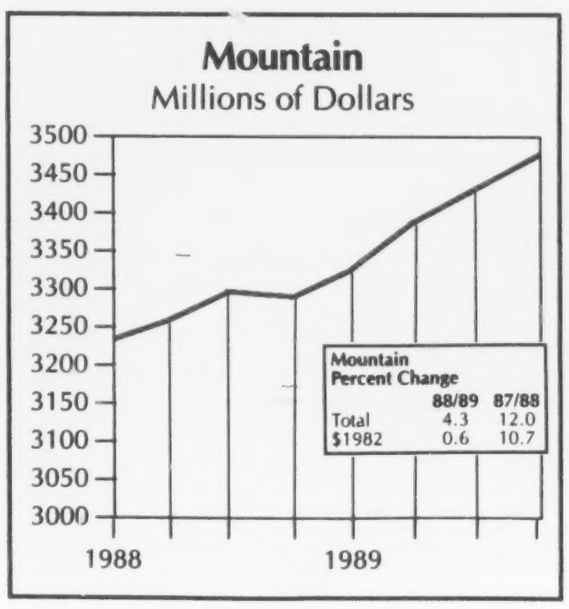


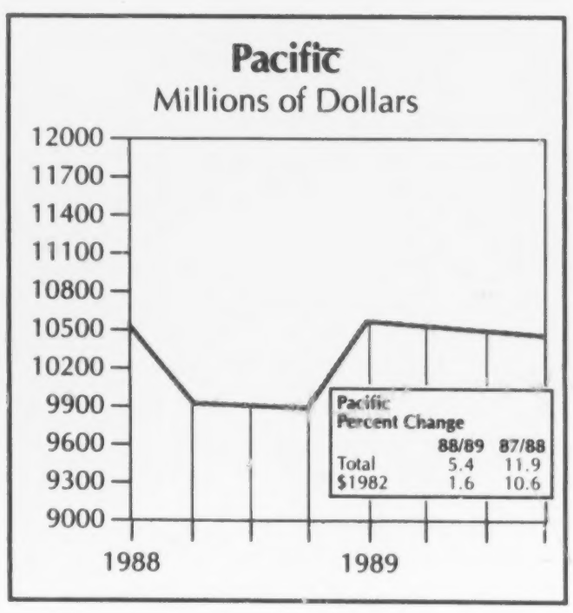












Data: Dept. of Commerce
Bureau of Labor Statistics
National Association of Realtors
Dept. of Housing and Urban Development

The Home Center Industry Outlook runs in two parts, one each month. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material and supply store sales.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart

Business Watch

stocks

Scotty's 4Q earnings sink after losses for 1st half of fiscal 1988

By an NHCN staff editor

WINTER HAVEN, Fla. — Scotty's income declined in the quarter ended Dec. 31, 1988, and the home center chain showed a loss for the first half of its fiscal year.

Earnings at the 162-unit chain fell by 6.2 percent to $2,470,000 or 17 cents per share, on sales of $140,930,000, representing a gain of 5.5 percent.

For the first six months of its fiscal year, Scotty's lost $2,003,000. However, most of that was the result of a first quarter loss resulting from a pre-tax restructuring reserve of $7,285,000. For the same period a year ago, Scotty's net income was $11,176,000, or 76 cents a share, after the cumulative effect of accounting changes. (Before those changes, the chain's earnings were $4,823,000.) Sales in the first half were $268,957,000, a 4.6 percent gain.

P. Scott Linder, Scotty's chairman, said in a prepared statement that his company's sales gains were attributable to improvements in the stores' service levels. In addition, Linder said changes in Scotty's management in recent months have had a positive effect on the chain's financial performance.

Those changes include the addition of two new executives: former W. R. Grace and Hechinger executive Ron Russell, who is now Scotty's vp-marketing services, and Bob Bruner, previously a Grossman's and Handy Dan executive who was named Scotty's senior vp-operations.

Bruner will be responsible for all aspects of retail operations at all of the full-line and hardware stores.

Russell will oversee all aspects of Scotty's advertising and marketing support, including visual merchandising and consumer credit.

Stocks take a smooth ride

It was a relatively quiet two weeks for home improvement stocks during the period ended Jan. 27, with nine companies showing no change in their stock prices. Twenty-nine companies had gains and 13 had losses, although no company's stock dropped by more than 6 percent.

The winners were led by Wolohan Lumber (whose stock hopped 17.6 percent), Standard Brands Paint, the California-based paint specialty retailer, and Lowe's, the nation's largest home center chain. Standard Brands stock rose to $17.75, while Lowe's stock jumped 10.1 percent to $22.75 per share. This gain was despite Lowe's releasing its quarterly report during this period that showed a 6 percent decline in earnings.

On the manufacturing side, Clairson International's stock rose by 16.7 percent, to $7 per share. It was learned recently that Clairson is selling several of its parts, but retaining its Closet Maid division. Owens-Corning Fiberglas also enjoyed strong price gains, with its stock rising by 12.6 percent to $27.88

There was minimal damage done to other companies. National Lumber, the 20-unit chain, saw its price fall 5.9 percent to $2 per share, but for the most part losers experienced modest declines: Ply-Gem Industries fell 4 percent; Waxman Industries' stock price inched downward by 2.8 percent.

National Home Center News

HOME CENTER MARKET SUMMARY

Company and Market	Stock Market: Price: 2-Weeks Ended 1-27-89 ($)	2-Weeks Change: Amt. ($)	2-Weeks Change: Pct. (%)	2-Week Range: High ($)	2-Week Range: Low ($)	52-Week Range: High ($)	52-Week Range: Low ($)	Volume: 2-Weeks Shares Traded: Total (100)	2-Weeks Shares Traded: % Out (%)	12-Week Avg. Vol. As % Out (%)	Volume Trend Change (%)	Financial Update: P/E Ratio (-)	Indicated Divd. Rate: Amt. ($)	Indicated Divd. Rate: Yld. (%)	Latest Report: New Report (-)	Latest Report: Period (-)	Latest Report: Date Ended (-)	Latest Quarter: Revenue Amt. ($Mil)	Latest Quarter: Revenue Chg. (%)	Latest Quarter: Net Income $Mil	Latest Quarter: Net Income Chg. (%)	Latest Quarter: E.P.S. $	Latest Quarter: E.P.S. Chg. (%)	Year-to-Date: Revenue $Mil	Year-to-Date: Revenue Chg. (%)	Year-to-Date: Net Income $Mil	Year-to-Date: Net Income Chg. (%)	Year-to-Date: E.P.S. $	Year-to-Date: E.P.S. Chg. (%)
Retailers																													
Gen Bldg Prods ..... M	3.63	.13	3.6	4.00	3.38	6.50	3.00	215	.54	.73	- 26.0	21.3	.00	.0	.....	9 mos.	08-88	21.9	11.2	.1	- 87.5	.02	- 89.5	56.5	14.1	.3	- 83.3	.07	- 85.4
Grossman's Inc ..... M	5.38	- .13	- 2.3	5.63	5.38	8.38	4.88	7,501	2.87	1.31	119.1	11.2	.00	.0	.....	9 mos.	09-88	321.9	1.6	10.0	4.2	.38	- 13.6	855.8	4.4	12.6	11.5	.48	- 9.4
Hechinger A ..... M	18.38	.13	.7	18.38	17.88	20.25	15.88	5,520	2.70	1.70	58.8	NA	.16	.9	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B ..... M	18.50	.25	1.4	18.50	17.75	20.00	15.75	316	.20	.13	53.8	14.9	.06	.3	.....	9 mos.	10-88	250.6	35.5	12.1	28.7	.32	18.5	773.5	39.7	36.0	23.3	.96	7.9
Home Depot ..... N	30.50	- .38	- 1.2	31.50	28.75	32.00	19.13	16,180	3.25	1.49	118.1	21.0	.12	.4	.....	9 mos.	10-88	509.9	40.0	17.1	76.3	.33	73.7	1474.7	36.6	57.9	52.0	1.13	39.5
Interco ..... N	3.13	.00	.0	3.13	2.88	3.75	2.88	23,586	6.52	NC	NC	NA	.00	.0	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
K mart Cp ..... N	37.25	2.13	6.0	38.50	35.00	39.75	30.25	64,591	3.24	1.11	191.9	10.3	1.32	3.5	.....	9 mos.	10-88	6358.2	6.4	126.1	14.5	.63	16.7	18884.1	5.7	409.7	10.4	2.04	12.1
Lowe's Cos ..... N	22.75	1.75	8.3	22.88	20.75	24.38	18.00	6,421	1.73	.83	108.4	13.2	.48	2.1	.....	9 mos.	10-88	652.1	1.0	15.9	- 4.2	.42	.0	1947.3	.4	57.4	9.8	1.51	14.4
NHD Stores ..... M	7.00	.00	.0	7.50	7.00	8.00	4.50	470	3.47	.83	318.1	9.3	.00	.0	.....	9 mos.	10-88	12.3	15.0	.1	NE	.04	NE	37.3	12.7	.6	50.0	.43	38.7
Natl Lumber ..... M	2.00	- .13	- 5.9	2.38	2.00	3.50	2.00	290	.51	.52	- 1.9	NE	.00	.0	.....	*	10-88	NC	NC	NC	NC	NC	NC	116.8	NC	- 2.6	NC	- .47	NC
Scotty's Inc ..... N	12.13	- .13	- 1.0	12.50	12.00	15.25	10.50	2,091	1.43	.59	142.4	41.8	.52	4.3	NEW	6 mos.	12-88	141.0	5.6	2.5	.0	.16	- 5.9	269.0	4.6	- 2.0	- 100.0	- .14	- 100.0
Sears, Roebuck ..... N	42.00	.00	.0	43.00	40.63	46.25	33.00	69,488	1.84	1.07	72.0	9.7	2.00	4.8	.....	9 mos.	09-88	13350.0	9.5	344.2	- 15.8	1.41	30.6	38490.0	11.9	893.1	- 17.9	2.86	.0
Std Brd Pnt ..... N	17.75	1.63	10.1	18.50	16.13	18.50	10.63	7,396	12.93	3.57	262.2	NE	.00	.0	.....	9 mos.	10-88	80.5	2.2	1.3	- 69.8	.17	- 67.3	236.1	- .2	3.9	- 69.5	.50	- 67.7
Strober Organiz ..... M	8.88	.13	1.4	9.00	8.50	12.25	7.00	158	.26	.31	- 16.1	12.2	.00	.0	.....	9 mos.	09-88	38.9	40.9	1.6	- 5.9	.26	- 3.7	105.4	40.2	3.4	- 20.9	.56	- 20.0
Wickes Cos ..... N	7.75	.00	.0	8.00	7.63	14.13	6.50	3,644	.76	1.67	- 54.5	5.2	.00	.0	.....	6 mos.	07-88	937.9	- 35.5	- 12.4	- 100.0	- .09	- 100.0	1866.0	- 37.7	- 15.0	- 100.0	.08	- 94.2
Wolohan Lumber ..... M	23.88	3.63	17.9	23.88	20.38	23.88	10.38	5,943	10.17	2.27	348.0	12.6	.28	1.2	.....	9 mos.	09-88	74.6	12.7	3.8	40.7	.64	39.1	193.5	12.6	8.4	33.3	1.43	33.6
Zayre Corp ..... N	24.63	.00	.0	25.13	24.13	27.13	15.63	29,286	5.22	2.81	85.8	NE	.40	1.6	.....	9 mos.	10-88	936.3	- 41.5	- 160.7	- 100.0	(2.87)	- 100.0	2530.5	- 41.2	- 178.2	- 100.0	(3.18)	- 100.0
Wholesalers																													
Hughes Supply ..... N	18.75	.88	4.9	18.75	17.50	19.44	16.50	550	1.13	.40	182.5	9.5	.32	1.7	.....	9 mos.	10-88	131.7	16.3	2.5	.0	.51	4.1	376.3	18.3	7.1	6.0	1.46	9.8
Moore Handley ..... M	3.75	.00	.0	4.06	3.75	5.00	3.75	20	.09	.31	- 71.0	NE	.20	5.3	.....	9 mos.	09-88	26.1	- 4.7	- .1	NE	- .06	NE	79.5	6.9	- .1	- 100.0	- .04	- 100.0
Manufacturers																													
Am Consum Prods ..... M	10.25	.00	.0	10.25	10.25	12.50	8.59	107	.40	.33	21.2	15.3	.00	.0	.....	9 mos.	09-88	20.4	- 74.4	.5	- 16.7	.18	- 21.7	56.5	79.9	1.4	7.7	.53	6.0
Am Woodmark ..... M	9.50	- .13	- 1.3	9.63	9.50	10.38	7.28	218	.29	.25	16.0	12.5	.00a	.0	.....	6 mos.	10-88	42.5	23.9	2.7	12.5	.36	- 2.7	73.4	20.1	4.5	21.6	.60	11.1
Armstrng Wrld ..... N	34.13	- .38	- 1.1	34.88	33.38	44.00	31.75	12,343	2.67	1.20	122.5	9.8	1.00	2.9	.....	9 mos.	09-88	672.8	8.1	42.9	- 2.3	.93	1.1	1973.4	12.1	128.1	9.6	2.77	12.6
Black & Decker ..... N	24.13	.50	2.1	24.38	23.38	24.75	17.13	24,133	4.12	1.70	142.4	14.6	.40	1.7	.....	fiscal	09-88	591.5	17.8	23.4	56.0	.40	53.8	2280.9	17.9	97.1	74.6	1.65	73.7
Boise Cascade ..... N	42.88	2.13	5.2	43.13	40.25	50.00	39.13	24,705	5.50	1.45	279.3	6.8	1.40	3.3	NEW	fiscal	12-88	1034.8	6.1	76.4	33.6	1.70	41.7	4094.6	7.2	289.1	58.0	6.34	71.4
Catalina Lgtg ..... A	11.00	.50	4.8	11.25	10.00	11.25	3.00	2,171	6.89	2.42	184.7	26.8	.00	.0	.....	fiscal	09-88	9.1	82.0	.4	300.0	.13	160.0	26.9	35.9	1.1	175.0	.41	115.8
Champ Intl ..... N	32.50	- .88	- 2.6	33.75	31.25	38.13	29.50	62,675	6.58	1.37	380.3	6.8	1.00	3.1	NEW	fiscal	12-88	1314.4	13.6	119.8	45.9	1.26	46.5	5128.5	11.1	456.4	19.5	4.80	19.1
Clairson Intl ..... M	7.00	1.00	16.7	7.13	6.13	8.50	4.25	3,418	6.72	1.05	540.0	NE	.00	.0	.....	9 mos.	06-88	27.2	46.2	- 2.1	- 100.0	- .43	- 100.0	78.4	45.7	- 4.3	- 100.0	- .85	- 100.0
Coleman Co ..... N	42.13	- .63	- 1.5	42.88	41.00	44.63	33.75	940	1.34	.71	88.7	12.0	1.20	2.8	.....	9 mos.	09-88	159.0	8.4	3.9	30.0	.55	34.1	516.9	11.0	22.7	31.2	3.23	31.8
Cooper Indus ..... N	57.13	.38	.7	58.38	54.75	62.75	50.13	10,855	2.14	.92	132.6	14.1	1.80	3.2	.....	9 mos.	09-88	1090.3	23.7	57.1	28.6	1.12	27.3	3065.0	18.9	149.7	27.5	2.94	25.1
DeSoto Inc ..... N	39.50	1.00	2.6	40.00	37.63	46.00	24.50	2,230	5.58	1.92	190.6	53.4	1.40	3.5	.....	9 mos.	09-88	98.0	- 1.2	- 2.6	- 100.0	- .66	- 100.0	317.5	3.0	3.3	- 69.7	.82	- 70.1
Emhart Corp ..... N	25.25	.63	2.5	25.63	23.75	25.63	18.88	22,660	3.66	1.41	159.6	12.5	.88	3.5	NEW	fiscal	12-88	722.7	8.7	32.9	24.6	.52	23.8	2762.0	12.5	126.0	18.3	2.02	18.8
Georgia Pacific ..... N	40.75	3.00	7.9	41.00	37.88	42.88	33.25	25,657	2.52	1.11	127.0	9.1	1.40	3.4	.....	9 mos.	09-88	2409.0	- .6	114.0	- 3.4	1.19	8.2	6942.0	8.9	338.0	- 2.3	3.41	7.9
La Pacific ..... N	31.25	.25	.8	31.75	30.88	37.50	26.00	11,125	2.88	1.03	179.6	7.8	.92	2.9	NEW	fiscal	12-88	448.3	- 6.2	31.2	- .3	.83	1.2	1799.4	- 6.4	153.6	22.9	4.02	22.9
Macmillan Bloedel ..... M	17.13	1.38	8.7	17.38	16.00	17.38	13.88	5,064	.49	.25	96.0	NA	.80	NA	.....	9 mos.	09-88	824.4	.9	70.5	- 14.8	.66	- 14.3	2472.4	5.5	256.6	17.9	2.40	20.6
Masco Corp ..... N	25.00	- .13	- .5	25.50	24.13	30.38	23.63	24,752	1.80	1.04	73.1	12.7	.48	1.9	.....	9 mos.	09-88	614.0	13.5	73.9	10.8	.54	8.0	1829.0	23.6	239.0	27.1	1.74	22.5
Mor-Flo Inds ..... M	5.75	.00	.0	5.75	5.25	7.50	4.50	178	.71	.45	57.8	NE	.01	.2	.....	9 mos.	09-88	52.5	6.9	- 1.9	NE	- .73	NE	162.0	4.9	- 5.8	NE	(2.29)	NE
Newell Co ..... N	28.13	.00	.0	28.38	25.50	29.63	16.06	15,478	6.65	1.29	415.5	15.0	.60b	2.1	.....	9 mos.	09-88	264.5	20.9	18.9	68.8	.70	89.2	734.5	77.1	40.2	68.9	1.40	55.6
Nortek Inc ..... N	9.25	.63	7.2	9.25	8.38	10.38	6.38	2,108	1.41	2.13	- 33.8	NE	.10	1.1	.....	9 mos.	09-88	343.0	- 2.7	4.8	2300.0	.32	3100.0	1049.0	7.5	16.3	43.0	1.10	54.9
Owens Corn ..... N	27.88	3.13	12.6	28.00	24.50	28.00	16.13	21,896	5.48	1.68	226.2	5.9	.00	.0	NEW	fiscal	12-88	704.0	NC	58.0	NC	1.37	NC	2831.0	- 2.1	197.0	- 10.5	4.71	- 11.1
Ply-Gem ..... A	12.13	- .50	- 4.0	12.50	11.88	15.63	10.63	995	.92	.64	43.8	12.5	.12	1.0	.....	9 mos.	09-88	102.5	22.0	4.1	20.6	.36	20.0	298.0	25.9	13.8	31.4	1.22	34.1
Pope & Talbot ..... N	19.75	1.63	9.0	20.25	18.00	23.00	16.13	3,064	2.56	.78	228.2	7.8	.60	3.0	.....	9 mos.	09-88	123.3	8.6	8.5	21.4	.71	20.3	361.0	12.8	23.3	11.5	1.95	12.1
Potlatch Cp ..... N	33.88	1.00	3.0	34.00	32.75	34.00	26.25	2,234	.83	.61	36.1	9.1	1.04	3.1	.....	9 mos.	09-88	273.7	10.9	28.3	25.2	1.02	25.9	798.7	8.0	79.3	26.5	2.85	27.2
PPG Inds ..... N	44.00	2.25	5.4	44.25	41.38	46.88	32.63	25,960	2.37	.82	189.0	10.3	1.36	3.1	NEW	fiscal	12-88	1431.7	7.8	102.3	6.0	.94	10.6	5616.7	8.4	467.6	24.0	4.26	33.5
Rep Gypsum ..... N	5.25	.75	16.7	5.63	4.38	6.88	4.25	615	.61	.30	103.3	26.3	.20	3.8	.....	3 mos.	09-88	12.3	- 4.7	.4	.0	.04	.0	12.3	- 4.7	.4	.0	.04	.0
Sherwin-Wms ..... N	25.75	- .63	- 2.4	26.50	25.25	31.63	24.00	5,950	1.36	.91	49.5	11.1	.64	2.5	.....	9 mos.	09-88	547.0	6.8	37.8	1.9	.86	3.6	1501.0	8.4	82.4	8.0	1.87	10.7
Stanley Works ..... N	28.75	.75	2.7	29.13	27.88	31.75	24.00	6,457	1.51	.92	64.1	12.5	.96	3.3	.....	9 mos.	09-88	470.0	3.5	25.7	23.0	.59	22.9	1422.8	9.1	73.1	21.0	1.69	21.6
Thos Inds ..... N	19.38	.50	2.6	20.50	19.00	23.31	17.38	1,108	1.01	.42	140.5	11.4	.69b	3.6	.....	9 mos.	09-88	89.0	8.0	4.1	10.8	.37	8.8	262.0	8.5	13.8	12.2	1.25	12.6
Union Camp ..... N	37.25	2.50	7.2	37.75	35.00	38.38	31.00	19,317	2.81	1.01	178.2	8.8	1.24	3.3	NEW	fiscal	12-88	685.6	12.4	78.5	33.1	1.14	40.7	2660.9	15.3	295.2	42.3	4.25	50.2
USG ..... N	6.00	.63	11.6	6.25	5.00	7.75	4.75	20,898	4.02	1.61	149.7	3.1	.00	.0	.....	9 mos.	09-88	586.6	- 22.1	2.6	- 94.1	.04	- 95.3	1708.0	- 21.4	82.9	- 55.7	1.59	- 56.2
Waxman Ind ..... M	8.75	- .25	- 2.8	9.13	8.75	12.25	6.41	3,047	3.32	1.32	151.5	11.7	.10	1.1	.....	3 mos	09-88	50.0	43.7	1.6	23.1	.18	28.6	50.0	43.7	1.6	23.1	.18	28.6
Weyerhaeuser ..... N	26.50	- .38	- 1.4	27.38	25.75	29.50	23.25	46,253	2.27	.89	155.1	9.9	1.20	4.5	NEW	fiscal	12-88	2580.0	43.5	154.8	19.6	.73	19.7	8470.1	21.2	564.4	26.4	2.68	26.4

All Data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share
Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market
*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

Co-op members trim inventory hoping for a good year

(Continued from page 5)
should "be ready to react quickly to the unexpected."

The dealers' idea of reacting may be to buy for today, and worry about tomorrow later.

"It appears they're buying what they need for the moment, rather than stocking up," observed Roger Freeman, national sales executive with Georgia-Pacific, the Atlanta supplier whose booth was very busy. G-P was pushing specialty products, such as molding, prefinished paneling and ceiling tile.

Sales slowed down at the GAF Building Materials Corp.'s booth on the second day, noted Billie Falkner, a saleswoman for the Wayne, N.J., supplier. However, she said the ServiStar dealers were buying GAF's roofing shingles in "fairly large quantities," often eight to 10 truckloads at a time.

Dealers usually "vary in the way they shop," observed Bernie Day, general manager of ServiStar's lumber and building materials department. However, they are coming to the shows "more and more prepared and with prepared budgets."

The dealers themselves were low-key about the market, often saying they were buying just to tide them over until the two larger ServiStar shows later this year.

"This fills the gap between the major shows they have," said Stuart Bresalier, president of Stuart's A&J Home Center in Deer Park, N.Y.

Chuck Wagner, vp at Family Lumber & Paneling, a two-unit operation based in Bethpage, N.Y., said he was especially taken in by prefab barns and storage sheds being sold by Reynolds Building Systems, Greenville, Pa.

Overall, dealers said they were pleased with business at their stores. Pentz noted that while the Midwest remains "soft," there is a "flicker of light" in the Southwest. The Northeast is going through "a breathing period from the tremendous expansion it had."

Stanley unveils sales analysis results

(Continued from page 6)
Payless subsidiary and which Stanley called the most profitable retailer in the industry. (He joked that the dealers might like to shop Somerville for products "you can resell.")

"Somerville's store in Hanover, [Mass.] is the ideal," he said, adding that Payless would eventually like to expand all its stores' decorative bath areas in its likeness.

However, Payless is restricted by the weight of its LBO, for which the company owes $1.2 billion. (Stanley reassured any vendors who happened to be in the audience, "Don't worry, we'll pay.")

Stanley boiled that astronomical debt to more manageable dimensions: it equals is $400,000 per day, or $30 per employee; every cash register ring has $2 of debt interest in it. Consequently, the company is looking for ways to bolster its profitability and sales, which has led it to go after more contractor business chainwide.

Payless, through its research, has concluded that the professional tradesman does not buy appreciably more commodities than does the DIYer, so the chain's hardware-oriented thrust will remain intact.

However, while Payless intends to remain competitive in its pricing, it is unlikely that it will be a price house that competes for a segment of the business currently drawn to warehouse home centers.

Stanley estimated that the three main warehouse chains—Home Depot, Builders Square and HomeClub—did $4 billion in sales last year, "and these people took that business from someone.

"I believe warehouse stores can make money and are here to stay," said Stanley, who said the retailing concept is a "better mousetrap" at getting business from the light to moderate DIYer "when these stores are run by Bernie Marcus and Arthur Blank," who are, respectively, the chairman and president of Home Depot.

Sigoloff, McNulty enter separate bids for Builders Emporium

(Continued from page 7)
than the retail stores.

Any acquisition of BE would have to be seen, as least in part, as a real estate deal.

During a discussion about the prospective acquisition, Bernard Marcus, the chairman of Home Depot who claimed considerable familiarity with the locations, said that BE holds a number of long-term leases on which it pays less than $2 per square foot. "Those stores could easily get $16, $17 per square foot now," he said.

He noted, however, that his company had no interest in any of the BE sites.

Wickes' Kutler said he didn't expect the entire deal to close before May. He said that on Jan. 20, "the field was narrowed down" after preliminary groups reviewed confidential buying brochures. An undisclosed number of remaining would-be bidders were "invited on facility tours" Jan. 27, he added.

Kutler said while some groups plan to bid separately for BE and OSH, "a bunch of people" indicated interest in making combined bids. But Kutler said he doesn't expect to receive "formal bids until sometime in March."

A source said McNulty and Handgis, who founded HomeClub in 1983 and later sold it to Zayre Corp., are "anxious to get in the hunt" to buy BE.

Since departing HomeClub in 1986, McNulty has developed other retailing ventures, including sporting goods and office supply warehouse chains. He reportedly is interested in managing BE if his bid is successful.

Industry sources placed the bidding range at between $175 million and $275 million for BE and $95 million to $150 million for Orchard.

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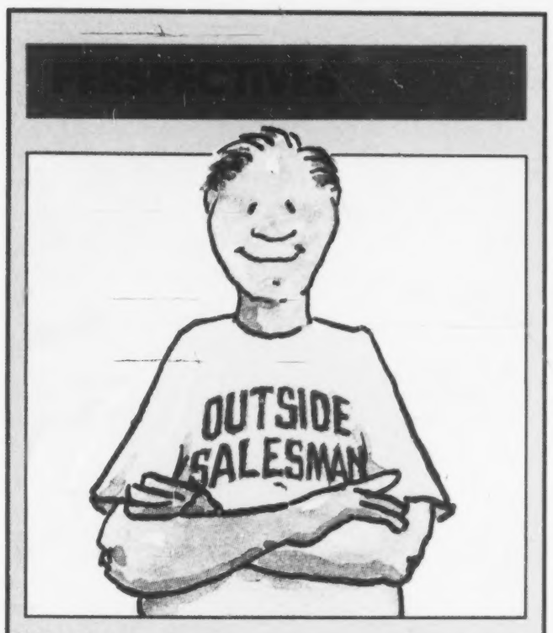

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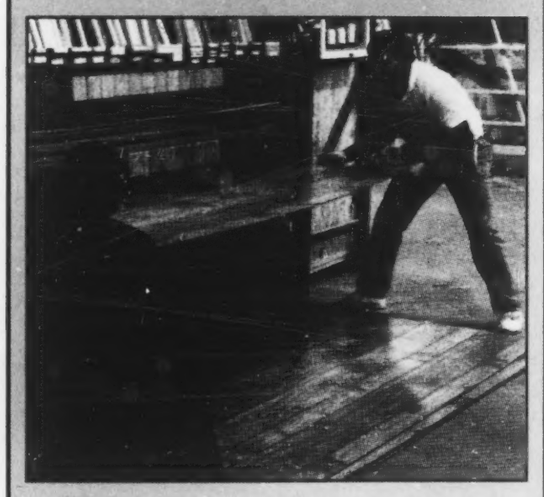

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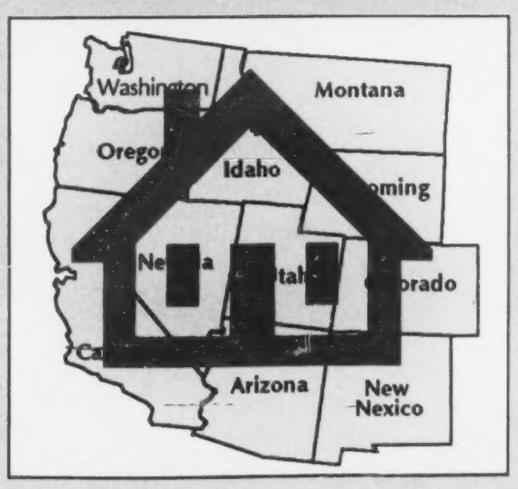

Western housing market sends mixed signals 6

Channel to sell units to pay debt, but still has plans for expansion

By John Caulfield

WHIPPANY, N.J. — Channel Home Centers is on the block.

The company's senior managers, who took Channel private in a $250 million leveraged buy out from W. R. Grace in December 1986, have decided to explore placing the chain for sale to accommodate, at least partly, a more aggressive store growth strategy.

"We have a lot of debt as a result of the LBO, but we want to increase our expansion program," said Charles Tabak, Channel's executive vice president.

The company has retained Shearson Lehman Hutton, the New York investment firm, to seek out buyers.

In a telephone interview, Tabak told *NHCN* that Channel previously has been approached by "several interests" including foreign concerns, "and Shearson is looking into these." *NHCN* has also learned that Channel has already been offered by Shearson to several home improvement chains, although which ones and how many could not be determined.

Tabak declined to identify what companies might be pursuing Channel except to note that "financial groups" might emerge as possible suitors.

This Channel store in Totowa, N.J., might be part of the company's plan to sell off its 110 units in the Northeast because the reported profitability of these units makes them the most saleable. NHCN photo

Company breakup possible

He noted, though, that Channel's senior management wanted to remain with the company if it was sold.

Noah Gottdiener, a senior vp with Shearson working with Channel, confirmed that one alternative being investigated was the sale of the 110 Channel units in the Northeast exclusive of Channel's 37 Handy Dan, Handy City or Houseworks! stores.

(Continued on page 70)

Lloyd sale called off as investor talks fail

By Elizabeth Brent

STAMFORD, Conn. — In a sudden and unexpected turnabout, American Maize Products plans to hold onto its Lloyd Home & Building Centers.

The corporate parent will restructure Lloyd's by streamlining its operations and "eliminat[ing] unprofitable locations," according to a prepared statement issued Feb. 9.

American Maize reported a net loss of $4,540,000, or 69 cents per share, for the quarter ended Dec. 31, largely a result of the $4 million "restructural reserve" set aside for the Lloyd operations.

Net income in the fourth quarter of 1987 was $3,484,000, or 53 cents per share. Quarterly net sales rose 8 percent to $138,335,000.

The company's restructuring plan will be enacted by two newly promoted officials. Philip Buxbaum, the chain's vp-administration, replaces Tom Cawley as Lloyd's president. Cawley resigned last month. John Tweedy, a vice president at American Maize, will take over as Lloyd's chairman.

Kidder deal collapses

American Maize had put Lloyd's on the block last April 6. Its recent decision not to sell the chain, though, came after the latest negotiations with an investor group led by Kidder Peabody & Co. fell through.

In commenting on the various offers for the 34-unit company, American

(Continued on page 70)

Fire ant killers produce profits in South

By Tom Bagsarian

AMARILLO, Texas — A store-level employee at a Builders Square here cannot figure something out. The store carries products to kill fire ants, but none of the troubling insects can be found within miles of the store.

"It's a problem in other areas, but not here," the employee said. "I guess the buyers buy it and send it here. It doesn't sell though."

Amarillo must be living right, because fire ant infestation is a plague many Southerners battle daily. These pesky, and at times dangerous, insects have ravaged many parts of the South.

Home improvement dealers from Texas to Florida carry pesticides to kill fire ants and they report sales of the products are better than ever.

The insects are affecting lives of farmers and homeowners alike. "If you live in Florida, you have a fire ant problem," remarked an employee with 10-unit Crowder Brothers Hardware based in Braden-

(Continued on page 70)

NEWSBREAKS

FOK PARENT MOVES: American Hoist & Derrick, Minnesota parent company of distributor Farwell Ozmun Kirk and Coast America, as of Feb. 13 switched its name to AMDURA Corp., and announced plans to move parts of the business to Denver, where Coast is also headquartered.

GEO. WORTHINGTON ACQUIRES PAPER CO.: The once-troubled distributor, based in Mentor, Ohio, has purchased Gascon Paper, a leading midwest paper and packaging distributor.

INDUSTRY UPDATE

Weldwood, Canfor in joint venture

STAMFORD, Conn. — Champion International announced that Weldwood of Canada Ltd., and Canfor Corp. will combine their wholesale building materials distribution groups to form a new joint venture. Champion owns 85 percent of Weldwood.

The new company, Canfor-Weldwood Distribution Ltd., will combine Canfor's 21 distribution centers with 17 run by Weldwood, 13 of which are now in the same cities. It is expected to generate sales of nearly $600 million (Canadian) in 1989, according to Frank Kneisel, spokesperson for Champion International.

"This combination will enable Canfor-Weldwood to be more efficient and competitive than the two systems had they remained independent. Both companies know this business well and complement each other's strengths," said chairman Andrew Sigler, in a prepared statement.

Meeks buys unit from Wickes

SPRINGFIELD, Mo. — Meeks Building Centers, based here, has acquired its ninth unit in the California market, a former Wickes Lumber store in Rocklin, Calif., near Sacramento.

Terry Meek, president of the chain, said Meeks acquired the Wickes unit—with an estimated $8 million in volume—for an undisclosed amount from Wickes Lumber, Vernon Hills, Ill. Wickes, which undertook a leveraged buyout from parent Wickes Cos. in December 1987, has been shedding under-productive stores in the past year.

Central Hardware put up for sale

BRIDGETON, Mo. — Central Hardware, the midwestern chain of 37 units with estimated sales of $300 million, is on the block.

Quoting Securities and Exchange Commission documents filed by Interco, Central's parent, the St. Louis *Business Journal* said the chain was for sale for $312.5 million.

The sale was precipitated by Interco's need to sell assets after successfully fending off a hostile takeover bid that saddled it with $2 billion in debt. Central is the largest part of Interco's $532.3 million general retail merchandise group, the *Business Journal* reported. In 1988, Interco had total sales of $3.3 billion.

Interco had attempted to sell other companies to pay down the debt and hold onto Central. But since late last year, Interco has been unable to sell its $500 million Ethan Allen furniture subsidiary and other firms, and has resorted to putting Central up for sale in an attempt to raise cash.

The *Business Journal* quoted unnamed sources saying that during last December, the Schaumburg, Ill.-based Handy Andy Home Improvement Centers toured Central Hardware with an eye towards possible purchase.

Neither Handy Andy nor Central officials were available for comment.

G-P donates to low-cost housing

ATLANTA — Georgia-Pacific has donated $2 million and building materials at cost to restore or build 200 homes in south and southwest Atlanta.

The program, called HOPE (Housing People Economically), offers low-income families the chance to purchase houses on a no-down-payment-basis. The down payments have been funded by the $2 million G-P gift, with mortgage financing provided by Atlanta-area financial institutions.

"Our commitment to this project is based on our belief that the pride of home ownership is key to the development of community pride and essential to upgrading local neighborhoods," said T. Marshall Hahn Jr., chairman and chief executive officer at Georgia-Pacific Corp. at a press conference held on Jan. 11.

In addition, Georgia-Pacific has agreed to participate in a joint venture by city and private agencies to renovate 18 faculty houses for the Clark Atlanta University.

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Distributors look over Wyeth as company remains for sale

By an NHCN staff editor

ST. JOSEPH, Mo.— As many as six non-hardware companies are looking at the possibility of buying the Wyeth Co., a long-time hardlines wholesaler that got burned by a mistimed expansion into the Texas market just as that market was going bust.

A business broker retained by the family-owned Wyeth Co. said the sale is part of a voluntary reorganization to stave off a bankruptcy filing and reorganization.

"We're talking to every source we can to save the company," said Martin Goldstein, an Overland Park, Kan., broker. Goldstein said six companies and individuals with distribution experience—but not hardlines experience—are looking at Wyeth.

He would not elaborate but insisted Wyeth had not been approached by any of the industry hardlines wholesale co-ops.

Wyeth, which acquired two Texas hardlines distributors in 1985 as the oil market went sour, contracted to $19 million in sales last year from an estimated $50 million in sales three years ago. Its account base is down to just 250 primary accounts in Missouri, Kansas, Nebraska, Iowa and Illinois, Goldstein said. Wyeth currently has 1,000 total accounts, the business broker said.

The venerable wholesaler, an original member of the Liberty Distributors group, has current secured debts of "under $2 million," Goldstein said, in addition to approximately $3.7 million in unsecured debts to trade creditors. He said the company has a book value of $7.5 million and needs "about $4 million to clean up the liabilities of the company."

By the end of January, according to both Goldstein and company president Max Wyeth, a reorganization plan to pay unsecured creditors a flat 25 percent of amounts owed has been accepted by "about 75 percent" of the unsecured creditors.

The reorganization plan would call for new management, according to Goldstein.

Conference predicts falling housing starts, lower spending

By Gary S. Ruderman

–COLORADO SPRINGS, Colo. — Manufacturing sales growth outstripped distribution sales growth last year by more than 8 percent, but both sectors, as well as retailers, face new challenges from falling housing starts, less discretionary income and new, specialized competition.

That was the summary of reports delivered to industry executives at the 27th annual Broadmoor Conference of Hardware Distributors, held Feb. 9 and 10.

Independently sponsored by 23 Midwestern and Southeastern distributors, the conference brings together hardware wholesalers, distributors and senior officers of selected manufacturers to discuss the industry's future.

William Farrell, president of the 1,000-member American Hardware Manufacturers Association (AHMA) told the conference that 91 percent of his members will try to pass on price hikes of just under 5 percent this year. Quoting a confidential AHMA report, Farrell said the overall annual sales

(Continued on page 72)

Financier agrees to turn over shares if Eclipse suit dropped

By an NHCN staff editor

ST. LOUIS — The brief but stormy professional marriage between Eclipse Industries president Steve Feinstein and Texas financier Don Navarro has ended, typically, with court action.

Navarro last month agreed to turn over his 80 percent ownership of Eclipse Industries in exchange for Feinstein dropping the lawsuit he filed in U.S. District court last summer to regain control of the company.

Eclipse operated five B&B Home Warehouse stores in the St. Louis area.

Since the suit was filed, the stores closed one by one until last December, when the last B&B Home Warehouse liquidated its merchandise and closed its doors for the last time.

Feinstein turned over control of his company to Navarro, president of Don Navarro and Associates of Dallas, last March in exchange for capital that was badly needed to run the home center chain.

However, in the suit, Feinstein claimed no such capital was received from Navarro and Associates, or what the suit called a "shell corporation with no organization or employees and no assets."

"Steve got just what he wanted in the first place—control of the company," said Paul Schramm of Schramm & Pines, Feinstein's attorney in the case.

Navarro would not return phone calls and Feinstein could not be reached for comment.

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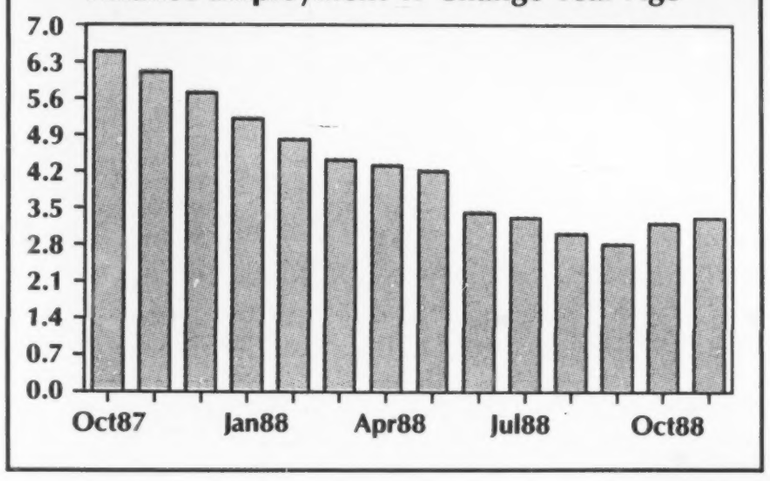
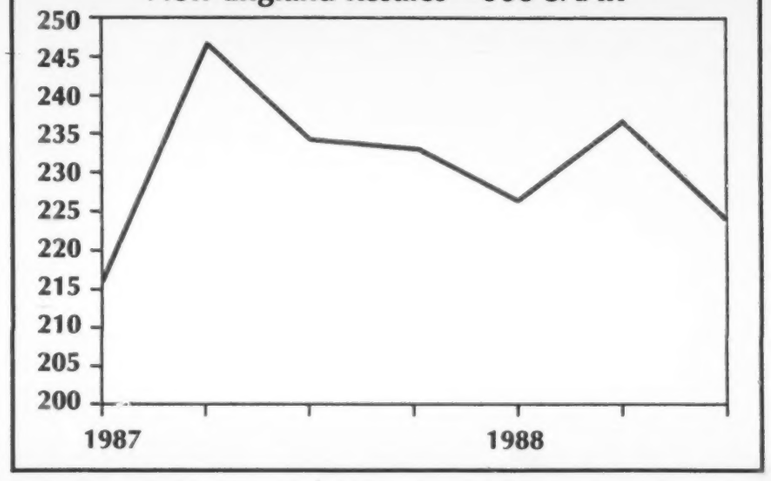
Business Watch

Section 4

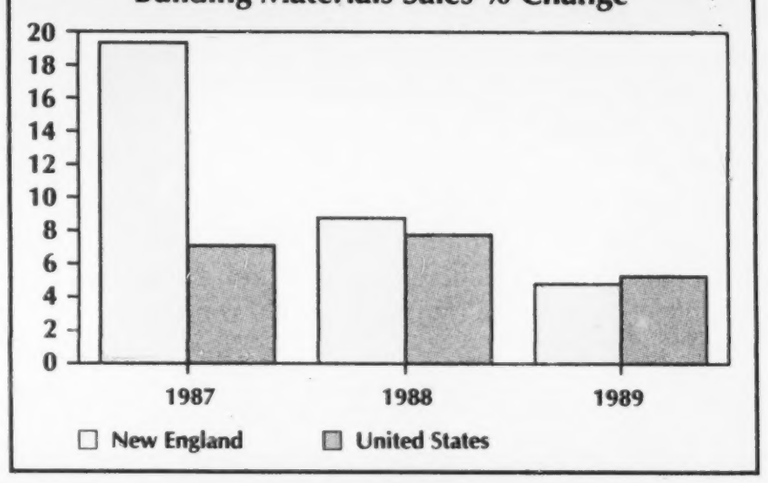
Slower gains in finance and defense . . .



. . . coupled with declining resales . . .



. . . will lower New England sales.



Defense and finance slowdowns hurt New England sales

The New England economy is undergoing a slowing pattern in 1989, and retail building material sales will not advance as rapidly as in recent years.

Defense and finance, mainstays for New England in the 1980's will post softer gains this year. Compared to an expected national advance of 5.3 percent for retail building materials sales, New England faces a somewhat softer gain of 4.8 percent. This stands in contrast to 1987 when New England sales grew about 2½ times as fast as the national average.

Richard E. Mount

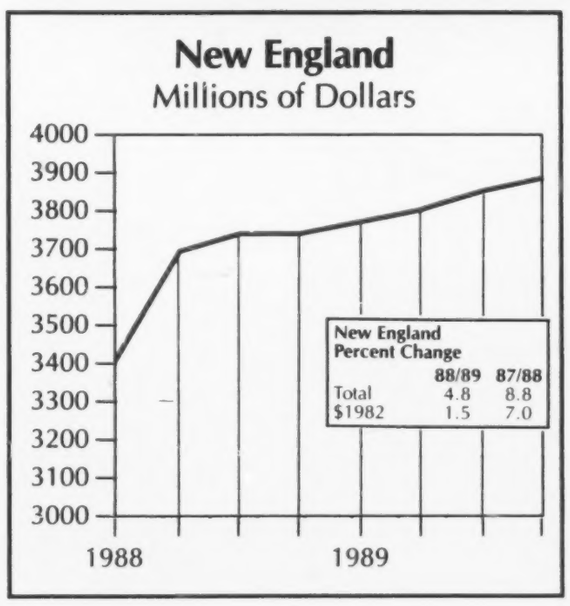
The recent pattern in resales has major significance for New England's building material sales prospects. Resales often lead changes in building materials sales by about 6-9 months. Resales peaked in the second quarter of 1987, then declined 9.2 percent. New housing, especially vacation homes, will be harmed in 1989 by higher mortgage rates.

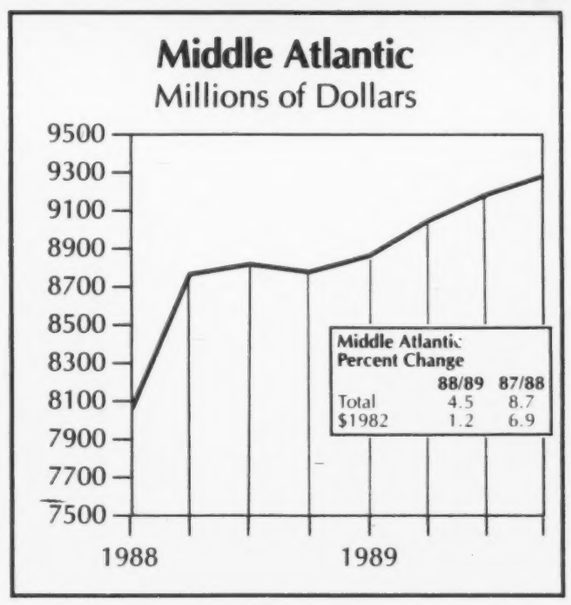
The strongest states in the region for employment gains are New Hampshire up 4.7 percent, Maine up 3.6 percent, and Vermont up 3.4 percent. Manufacturing is strong—Maine is up 4.4 percent from last year, and finance remains vibrant—New Hampshire is up 3.7 percent. Massachusetts is in the middle range, up 2.4 percent with 5 percent gain in finance but a 2.7 percent decline in manufacturing. Connecticut is softer— up only 1.8 percent—with manufacturing down 1.3 percent and finance up only 0.9 percent. Rhode Island is the weakest state with total employment up only 0.8 percent pulled down by a 0.7 percent decline in manufacturing.

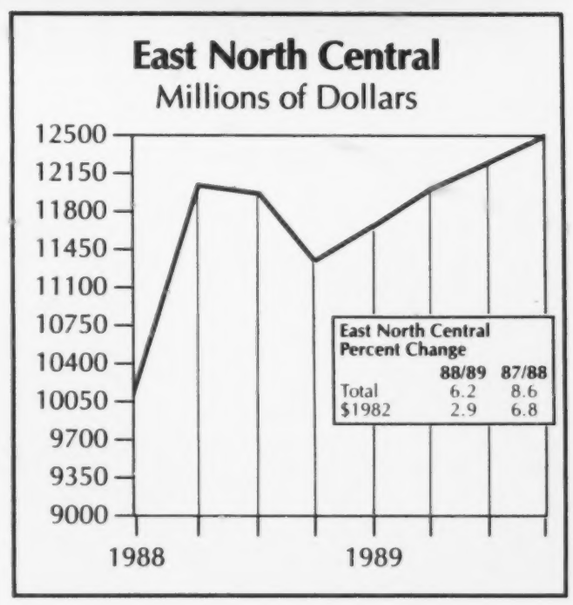
For New England building material retailers, sales gains in 1989 will be less than last year. Sales will reach another record high, but only at a rate of about 4.5 percent in dollar volume; 1.5 percent in unit volume.

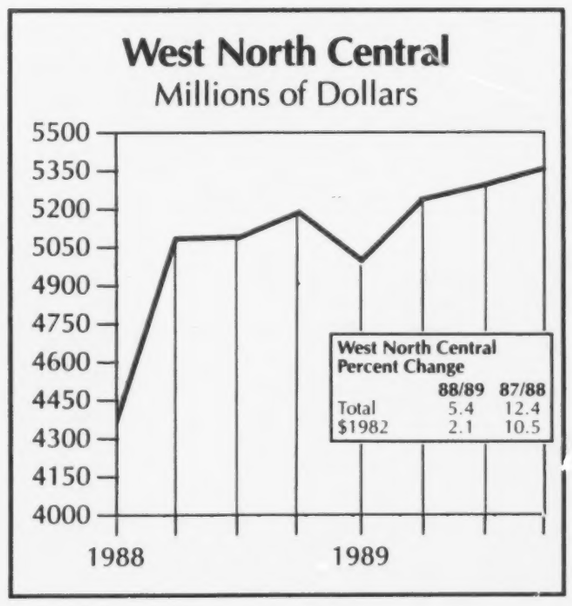
Richard Mount is president and chief economist with Mount Economic Consulting.

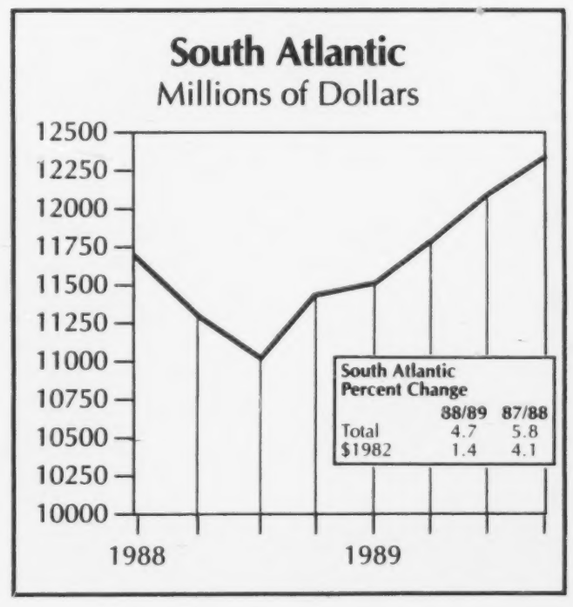
Regional Outlook: Building Material Sales

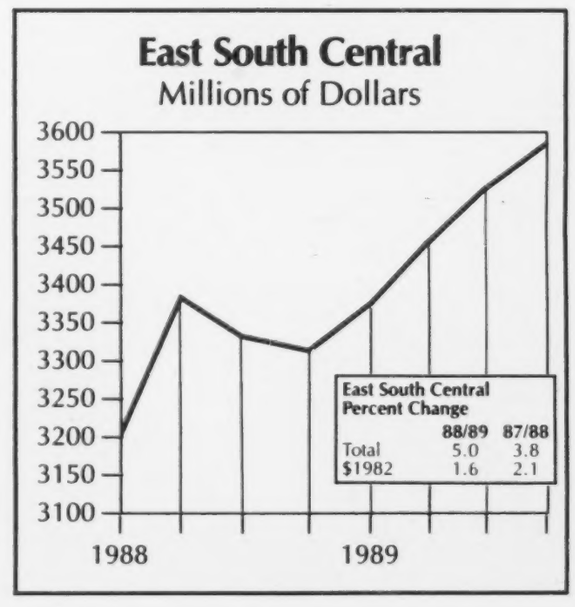


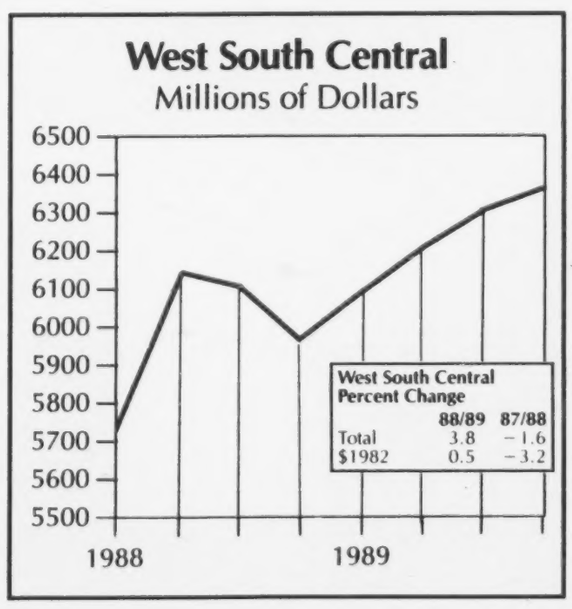


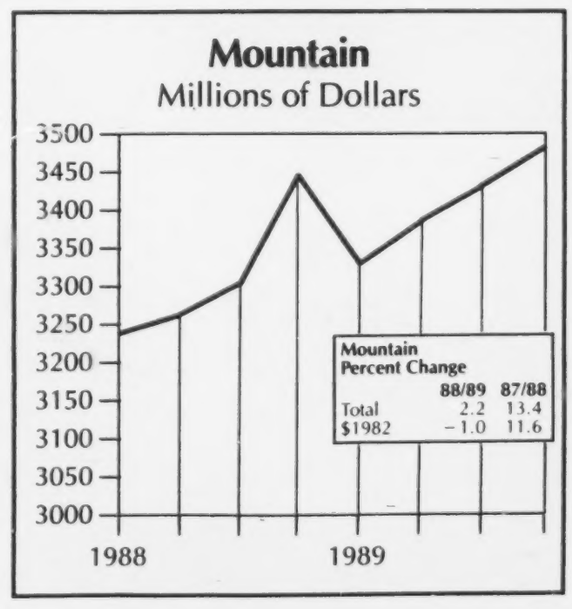


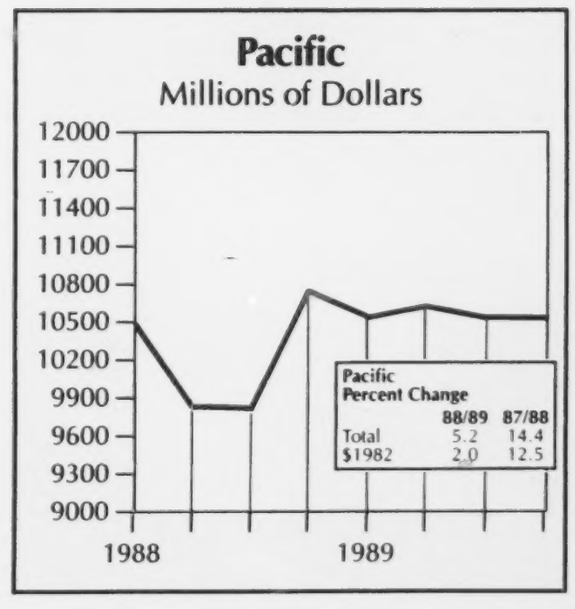












Data: Dept. of Commerce
Bureau of Labor Statistics
National Association of Realtors
Dept. of Housing and Urban Development

The Home Center Industry Outlook runs in two parts, one each month. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material and supply store sales.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart

Business Watch

stocks

Stanley Works posts record sales with help of consumer division

By an NHCN staff editor

NEW BRITAIN, Conn. — Home improvement and consumer sales rose 7 percent last year for Stanley Works, and contributed to the company's record breaking $1.9 billion sales, which represented an 8 percent annual gain.

Net income for the company rose 9 percent to $103 million, another record, even though operating profit for the home improvement and consumer sector was off 4 percent. Corporate earnings per share equaled $2.40.

In the fourth quarter ended Dec. 31, Stanley's revenues were $486 million, up 6 percent over the same period a year ago. Earnings were up 16 percent to $30 million, or 71 cents per share.

The company reported that its sales and earnings performance benefited from a number of cost-cutting and financial management measures. For example, Stanley reduced operating working capital by $28 million, which in turn allowed the company to reduce its debt to capital ratio to 34.6 percent, compared with the 40.9 percent level at the beginning of the fiscal year.

In other sectors, sales in the United States rose 4.9 percent to $1.31 billion, but operating profit was off 4.7 percent to $156.3 million.

Company president Richard Ayers, in a prepared statement, noted that last year "costs were incurred to realizing the manufacture of mechanics' tools so that we might more fully utilize the advanced technology of our National Hand Tool subsidiary.

"A substantial portion of the costs and the related investment to achieve the desired consolidation and improvements was incurred in 1988. We expect to benefit in terms of improved profitability in 1989."

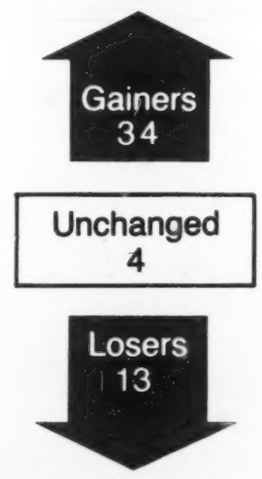
Stocks continue strong showing

Publicly held home improvement companies continued their strong showing on the stock market during the two weeks ended Feb. 10. Thirty four of the 51 companies tracked for *NHCN* by Media General had price gains, with only 13 declining and four with no price movement.

There was tremendous stock activity surrounding Grossman's, which announced during this period that it had hired an investment firm to investigate the sale of its 246 stores. On the day of that announcement, Grossman's was the third most active stock on NASDAQ, and its stock ended this two-week stint up 58.1 percent, to $8.50 per share.

On the down side, Standard Brands Paint fell 13.4 percent to $15.38. But of possibly greater interest is Hechinger, with modest increases in its stock during a period when two investment firms issued reports questioning the company's ability to sustain its remarkable earnings growth.

Among public manufacturers, there were several big winners. Catalina Lighting, the Miami importer whose sales for the quarter ended Dec. 31, 1988 went up 85 percent to $9 million and earnings rose 178 percent to $423,799, saw its stock price jump 20.5 percent to $13.25. Other gainers included DeSoto, up 21.2 percent to $47.88, and USG, up 14.6 percent to $6.88.



National Home Center News

HOME CENTER MARKET SUMMARY

Company and Market	Stock Market: 2-Weeks Ended	2-Weeks Change Amt.	2-Weeks Change Pct.	2-Week Range High	2-Week Range Low	52-Week Range High	52-Week Range Low	Volume: 2-Weeks Shares Traded Total	Volume: 2-Weeks Shares Traded % Out	Volume: 12-Week Avg. Vol. As % Out	Volume Trend Change	Financial Update: P/E Ratio	Indicated Divd. Rate Amt.	Indicated Divd. Rate Yld.	Latest Report: New Report	Latest Report: Period	Latest Report: Date Ended	Latest Quarter: Revenue Amt.	Latest Quarter: Revenue Chg.	Latest Quarter: Net Income Amt.	Latest Quarter: Net Income Chg.	Latest Quarter: E.P.S. Amt.	Latest Quarter: E.P.S. Chg.	Year-to-Date: Revenue Amt.	Year-to-Date: Revenue Chg.	Year-to-Date: Net Income Amt.	Year-to-Date: Net Income Chg.	Year-to-Date: E.P.S. Amt.	Year-to-Date: E.P.S. Chg.
-	$	$	%	$	$	$	$	(100)	%	%	%	-	$	%	-	-	-	$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Retailers																													
Gen Bldg Prods ..... M	5.00	1.38	37.9	5.00	3.88	6.50	3.00	462	1.15	.77	49.4	29.4	.00	.0	.....	9 mos.	08-88	21.9	11.2	.1	- 87.5	.02	- 89.5	56.5	14.1	.3	- 83.3	.07	- 85.4
Grossman's Inc ..... M	8.50	3.13	58.1	8.50	5.50	8.50	4.88	60,683	23.22	3.05	661.3	17.0	.00	.0	NEW	fiscal	12-88	285.8	10.9	.6	- 25.0	.02	NC	1141.6	6.0	13.2	9.1	.50	- 5.7
Hechinger A ..... M	18.63	.25	1.4	19.50	18.63	20.25	15.88	7,161	3.50	1.75	100.0	NA	.16	.9	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B ..... M	18.63	.13	.7	19.50	18.50	20.00	15.75	369	.24	.13	84.6	15.0	.06	.3	.....	9 mos.	10-88	250.6	35.5	12.1	28.7	.32	18.5	773.5	39.7	36.0	23.3	.96	7.9
Home Depot ..... N	32.13	1.63	5.3	33.88	30.13	33.88	20.75	18,159	3.65	1.43	155.2	22.2	.12	.4	.....	9 mos.	10-88	509.9	40.0	17.1	76.3	.33	73.7	1474.7	36.6	57.9	52.0	1.13	39.5
Interco ..... N	3.38	.25	8.0	3.50	2.88	3.75	2.88	39,423	10.90	NC	NC	NA	.00	.0	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
K mart Cp ..... N	37.38	.13	.3	39.38	36.75	39.75	30.25	61,978	3.11	1.19	161.3	10.3	1.32	3.5	.....	9 mos.	10-88	6358.2	6.4	126.1	14.5	.63	16.7	18884.1	5.7	409.7	10.4	2.04	12.1
Lowe's Cos ..... N	23.25	.50	2.2	23.50	22.13	24.38	18.75	5,301	1.43	.67	113.4	13.4	.48	2.1	.....	9 mos.	10-88	652.1	1.0	15.9	- 4.2	.42	.0	1947.3	.4	57.4	9.8	1.51	14.4
NHD Stores ..... M	6.75	- .25	- 3.6	7.25	6.75	8.00	4.50	123	.91	.87	4.6	9.0	.00	.0	.....	9 mos.	10-88	12.3	15.0	.1	NE	.04	NE	37.3	12.7	.6	50.0	.43	38.7
Natl Lumber ..... M	2.13	.13	6.3	2.25	2.00	3.50	2.00	390	.69	.52	32.7	NE	.00	.0	.....	*	10-88	NC	NC	NC	NC	NC	NC	116.8	NC	- 2.6	NC	- .47	NC
Scotty's Inc ..... N	12.25	.13	1.0	12.25	11.75	15.25	10.50	1,500	1.02	.62	64.5	42.2	.52	4.2	.....	6 mos.	12-88	141.0	5.6	2.5	.0	.16	- 5.9	269.0	4.6	- 2.0	- 100.0	- .14	- 100.0
Sears, Roebuck ..... N	41.25	- .75	- 1.8	43.63	41.25	46.25	33.00	72,375	1.91	.92	107.6	9.5	2.00	4.8	.....	9 mos.	09-88	13350.0	9.5	344.2	- 15.8	1.41	30.6	38490.0	11.9	893.1	- 17.9	2.86	.0
Std Brd Pnt ..... N	15.38	- 2.38	- 13.4	17.50	14.88	18.50	10.63	3,804	6.65	3.85	72.7	NE	.00	.0	.....	9 mos.	10-88	30.5	2.2	1.3	- 69.8	.17	- 67.3	236.1	- .2	3.9	- 69.5	.50	- 67.7
Strober Organiz ..... M	9.00	.13	1.4	9.25	8.75	12.25	7.00	440	.72	.33	118.2	12.3	.00	.0	.....	9 mos.	09-88	38.9	40.9	1.6	- 5.9	.26	- 3.7	105.4	40.2	3.4	- 20.9	.56	- 20.0
Wickes Cos ..... N	7.75	.00	.0	7.88	7.63	14.13	6.50	2,397	.50	1.18	- 57.6	5.2	.00	.0	.....	6 mos.	07-88	937.9	- 35.5	- 12.4	- 100.0	- .09	- 100.0	1866.0	- 37.7	- 15.0	- 100.0	.08	- 94.2
Wolohan Lumber ..... M	26.75	2.88	12.0	27.50	23.63	27.00	12.25	3,658	6.26	2.61	139.8	14.2	.28	1.0	.....	9 mos.	09-88	74.6	12.7	3.8	40.7	.64	39.1	193.5	12.6	8.4	33.3	1.43	33.6
Zayre Corp ..... N	25.25	.63	2.5	26.13	24.63	27.13	18.13	21,055	3.75	2.52	48.8	NE	.40	1.6	.....	9 mos.	10-88	936.3	- 41.5	- 160.7	- 100.0	(2.87)	- 100.0	2530.5	- 41.2	- 178.2	- 100.0	(3.18)	- 100.0
Wholesalers																													
Hughes Supply ..... N	18.25	- .50	- 2.7	19.00	18.25	19.44	16.50	661	1.36	.39	248.7	9.2	.32	1.8	.....	9 mos.	10-88	131.7	16.3	2.5	.0	.51	4.1	376.3	18.3	7.1	6.0	1.46	9.8
Moore Handley ..... M	3.88	.13	3.3	4.25	3.75	5.00	3.75	14	.06	.25	- 76.0	NE	.20	5.2	.....	9 mos.	09-88	26.1	- 4.7	- .1	NE	- .06	NE	79.5	6.9	- .1	- 100.0	- .04	- 100.0
Manufacturers																													
Am Consum Prods ..... M	10.25	.00	.0	10.25	10.25	12.50	8.81	9	.03	.22	- 86.4	15.3	.00	.0	.....	9 mos.	09-88	20.4	74.4	.5	- 16.7	.18	- 21.7	56.5	79.9	1.4	7.7	.53	6.0
Am Woodmark ..... M	9.88	.38	3.9	10.25	9.50	10.38	7.28	187	.25	.19	31.6	13.0	.00a	.0	.....	6 mos.	10-88	42.5	23.9	2.7	12.5	.36	- 2.7	79.4	20.1	4.5	21.6	.60	11.1
Armstrng Wrld ..... N	36.13	2.00	5.9	37.13	33.88	44.00	31.75	26,099	5.65	1.46	287.0	10.3	1.00	2.8	NEW	fiscal	12-88	706.9	16.8	34.6	3.3	.74	2.8	2680.3	13.3	162.7	8.2	3.51	10.4
Black & Decker ..... N	24.25	.13	.5	25.25	23.88	25.25	17.13	34,179	5.84	1.95	199.5	13.7	.40	1.6	NEW	3 mos.	12-88	705.5	15.2	38.4	23.5	.65	22.6	705.5	15.2	38.4	23.5	.65	22.6
Boise Cascade ..... N	41.13	- 1.75	- 4.1	43.50	41.13	50.00	39.25	24,368	5.42	1.65	228.5	6.5	1.40	3.4	.....	fiscal	12-88	1034.8	6.1	76.4	33.6	1.70	41.7	4094.6	7.2	289.1	58.0	6.34	71.4
Catalina Lgtg ..... A	13.25	2.25	20.5	13.88	10.88	13.88	3.00	3,769	11.95	2.75	334.5	32.3	.00	.0	NEW	fiscal	09-88	9.1	82.0	.4	300.0	.13	160.0	26.9	35.9	1.1	175.0	.41	115.8
Champ Intl ..... N	33.75	1.25	3.8	35.13	32.13	38.13	29.50	38,002	3.99	1.51	164.2	7.0	1.00	3.0	.....	fiscal	12-88	1314.4	13.6	119.8	45.9	1.26	46.5	5128.5	11.1	456.4	19.5	4.80	19.1
Clairson Intl ..... M	6.88	- .13	- 1.8	7.00	6.63	8.50	4.25	1,370	2.69	1.23	118.7	NE	.00	.0	.....	9 mos.	06-88	27.2	46.2	- 2.1	- 100.0	- .43	- 100.0	78.4	45.7	- 4.3	- 100.0	- .85	- 100.0
Coleman Co ..... N	47.00	4.88	11.6	49.88	42.38	49.88	34.63	7,387	10.50	1.44	629.2	13.4	1.20	2.6	.....	9 mos.	09-88	159.0	8.4	3.9	30.0	.55	34.1	516.9	11.0	22.7	31.2	3.23	31.8
Cooper Indus ..... N	58.25	1.13	2.0	59.38	57.13	62.75	50.13	16,361	3.22	1.06	203.8	13.2	1.80	3.1	NEW	fiscal	12-88	1193.3	18.3	74.7	32.4	1.47	31.3	4258.3	18.8	224.4	29.1	4.41	27.1
DeSoto Inc ..... N	47.88	8.38	21.2	50.00	38.50	50.00	26.63	16,262	40.54	4.86	734.2	60.6	1.40	2.9	NEW	fiscal	12-88	85.0	31.0	- .1	NE	- .03	NE	402.5	7.9	3.2	- 69.8	.79	- 70.3
Emhart Corp ..... N	26.75	1.50	5.9	28.88	24.13	28.88	18.88	34,231	5.52	1.55	256.1	13.2	.88	3.3	.....	fiscal	12-88	722.7	8.7	32.9	24.6	.52	23.8	2762.0	12.5	126.0	18.3	2.02	18.8
Georgia Pacific ..... N	40.00	- .75	- 1.8	42.00	40.00	42.88	33.25	28,041	2.93	1.21	142.1	8.4	1.40	3.5	NEW	fiscal	12-88	2567.0	15.2	129.0	15.2	1.35	26.2	9509.0	10.5	467.0	2.0	4.76	12.5
La Pacific ..... N	31.75	.50	1.6	32.00	31.00	37.50	26.00	7,818	2.02	1.03	96.1	7.9	.92	2.9	.....	fiscal	12-88	448.3	- 6.2	31.2	- .3	.83	1.2	1799.4	- 6.4	153.6	22.9	4.02	22.9
Macmillan Bloedel ..... M	16.50	- .63	- 3.6	17.25	16.38	17.38	13.88	8,565	.83	.30	176.7	NA	.80	NA	.....	9 mos.	09-88	824.4	.9	70.5	- 14.8	.66	- 14.3	2472.4	5.5	256.6	17.9	2.40	20.6
Masco Corp ..... N	26.38	1.38	5.5	27.13	25.00	30.38	23.63	41,869	3.04	1.13	169.0	13.4	.48	1.8	.....	9 mos.	09-88	614.0	13.5	73.9	10.8	.54	8.0	1829.0	23.6	239.0	27.1	1.74	22.5
Mor-Flo Inds ..... M	5.38	- .38	- 6.5	5.75	5.38	6.75	4.50	54	.21	.41	- 48.8	NE	.01	.2	.....	9 mos.	09-88	52.5	6.9	- 1.9	NE	- .73	NE	162.0	4.9	- 5.8	NE	(2.29)	NE
Newell Co ..... N	30.13	2.00	7.1	30.75	28.63	30.75	17.88	8,340	3.59	1.43	151.0	13.8	.60b	2.0	NEW	fiscal	12-88	253.7	- 16.8	21.2	58.2	.78	62.5	988.2	37.3	61.4	65.1	2.18	58.0
Nortek Inc ..... N	8.38	- .88	- 9.5	9.38	8.25	10.38	6.38	2,634	1.76	1.62	8.6	NE	.10	1.2	.....	9 mos.	09-88	343.0	- 2.7	4.8	2300.0	.32	3100.0	1049.0	7.5	16.3	43.0	1.10	54.9
Owens Corn ..... N	28.38	.50	1.8	29.63	27.75	29.63	16.63	18,781	4.70	1.82	158.2	6.0	.00	.0	.....	fiscal	12-88	704.0	NC	58.0	NC	1.37	NC	2831.0	- 2.1	197.0	- 10.5	4.71	- 11.1
Ply-Gem ..... A	13.63	1.50	12.4	13.75	11.88	15.63	11.13	3,733	3.46	.80	332.5	14.0	.12	.9	.....	9 mos.	09-88	102.5	22.0	4.1	20.6	.36	20.0	298.0	25.9	13.8	31.4	1.22	34.1
Pope & Talbot ..... N	20.00	.25	1.3	20.88	19.75	23.00	16.13	3,645	3.05	.87	250.6	7.5	.60	3.0	NEW	fiscal	12-88	154.0	44.2	8.6	19.4	.73	23.7	515.0	20.6	31.9	13.5	2.68	15.0
Potlatch Cp ..... N	34.38	.50	1.5	35.38	33.88	35.38	27.25	1,877	.70	.50	40.0	8.5	1.04	3.0	NEW	fiscal	12-88	285.4	12.9	33.1	32.9	1.19	33.7	1084.1	9.3	112.4	28.3	4.04	29.1
PPG Inds ..... N	43.50	- .50	- 1.1	45.25	43.25	46.88	35.25	15,652	1.43	.75	90.7	10.2	1.36	3.1	.....	fiscal	12-88	1431.7	7.8	102.3	6.0	.94	10.6	5616.7	8.4	467.6	24.0	4.26	33.5
Rep Gypsum ..... N	5.00	- .25	- 4.8	5.38	4.63	6.88	4.25	1,096	1.09	.34	220.6	23.8	.20	4.0	NEW	6 mos.	12-88	13.3	- 8.3	.9	12.5	.09	12.5	25.6	- 6.6	1.3	8.3	.13	8.3
Sherwin-Wms ..... N	26.25	.50	1.9	27.50	25.38	31.63	24.00	14,376	3.29	.99	232.3	11.4	.64	2.4	NEW	fiscal	12-88	449.5	10.1	18.6	- 8.4	.43	- 6.5	1950.5	8.8	101.0	4.6	2.30	7.0
Stanley Works ..... N	30.63	1.88	6.5	31.75	28.88	31.75	24.00	12,109	2.82	.98	187.8	12.8	.96	3.1	NEW	fiscal	12-88	486.2	6.0	30.4	16.0	.71	16.4	1909.0	8.3	103.5	19.5	2.40	20.0
Thos Inds ..... N	20.00	.63	3.2	20.63	19.25	23.31	17.63	820	.75	.44	70.5	11.8	.69b	3.5	.....	9 mos.	09-88	89.0	8.0	4.1	10.8	.37	8.8	262.0	8.5	13.8	12.2	1.25	12.6
Union Camp ..... N	36.00	- 1.25	- 3.4	37.25	35.75	38.38	31.00	20,360	2.96	1.08	174.1	8.5	1.24	3.4	.....	fiscal	12-88	685.6	12.4	78.5	33.1	1.14	40.7	2660.9	15.3	295.2	42.3	4.25	50.2
USG ..... N	6.88	.88	14.6	7.38	6.00	7.75	4.75	33,341	6.41	1.78	260.1	2.9	.00	.0	NEW	fiscal	12-88	540.0	- 25.6	42.6	147.7	.79	139.4	2248.0	- 22.4	125.5	- 38.6	2.38	- 39.9
Waxman Ind ..... M	8.75	.00	.0	8.88	8.75	12.25	7.09	3,462	3.75	1.41	166.0	11.4	.10	1.1	NEW	6 mos.	12-88	48.0	26.0	1.7	13.3	.18	12.5	98.0	34.4	3.3	17.9	.36	20.0
Weyerhaeuser ..... N	26.50	.00	.0	27.63	26.00	29.50	23.25	90,972	4.47	1.14	292.1	9.9	1.20	4.5	.....	fiscal	12-88	2560.0	43.5	154.8	19.6	.73	19.7	8470.1	21.2	564.4	26.4	2.68	26.4

All Data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share

Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

Conference predicts fewer housing starts, lower consumer spending

(Continued from page 5)

have risen from 8 percent to 13 percent in the years 1985 to 1988, with the 13 percent hike recorded last year.

Sales at the distribution level, on the other hand, rose 9 percent in 1988, or 5 percent excluding inflation, according to the National Wholesale Hardware Association (NWHA).

Farrell's poll of AHMA's members found prices to retailers increased an average 5.2 percent last year, a four-year high. That reflected AHMA members' 4 percent hike in labor costs and 10 percent increases in raw material costs.

At year-end 1988, Farrell said a third of his members believed product in the distribution-retail pipeline was at "adequate" levels while another third felt inventories were "light" in comparison to previous years.

Brad Farnsworth, vp of the National Retail Hardware Association's Home Center Institute, anticipates 3 percent real growth in the retail sector in 1989, slowdowns in the second and third quarters, but a strong year-end finish.

Retail changes

Farnsworth said Home Center Institute research identified new "dislocating" factors in the DIY market, including the "aging" of the most recent home center design and merchandising concepts, an acceleration of non-traditional competitors like the Michigan-based Meijers chain and intensifying struggle for market share.

Like retailers, distributors and cooperative wholesalers will face pressure from flat housing growth. All sectors of the industry will feel pressures from competitive overstoring, demands for ROI and the explosion of competitive intelligence.

Stambaugh Thompson buys specialty store; tests market

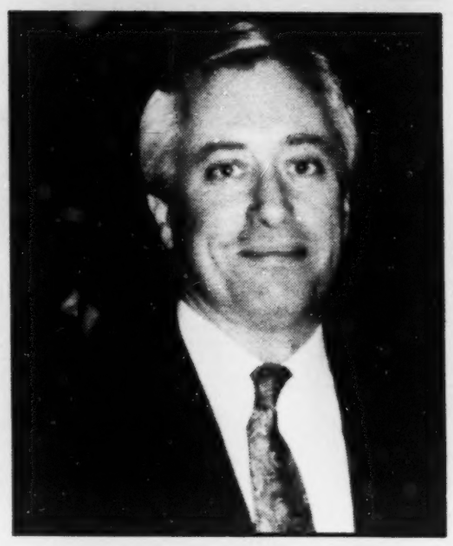
By an NHCN staff editor

YOUNGSTOWN, Ohio — The Stambaugh Thompson Co. has made a surprise entry into the specialty store market with its purchase last month of Decorator Depot in nearby Niles, Ohio.

The purchase will "provide the opportunity for us to test the specialty store market," said Stambaugh's president Phil Thompson about the deal.

Stambaugh, the operator of 20 home centers in Ohio and Pennsylvania, will be "fine tuning" Decorator Depot in the coming months, according to Thompson.

There are plans eventually to open other specialty decorating stores in the market, but there is no long-term blueprint which calls for a specific number to be operating by a certain date, he added.



Don Senne will continue as president of Decorator Depot after it was bought by Stambaugh Thompson. NHCN photo

Former Stambaugh's general merchandise manager Don Senne will continue as president of the specialty decorator store. Senne left his former employer last year and opened two Decorator Depots in Niles and Warren, Ohio. The Warren store was closed early this year, leaving only the 6,000-square-foot store in Niles.

Decorator Depot will be a subsidiary of Stambaugh's, as the home center chain makes an effort to "go after different markets," Thompson said. He would not disclose the purchase price or details of the agreement.

Senne had previously told *NHCN* that he hoped sales would reach $500,000 at each store by the end of 1988. (*NHCN*, Oct. 31, 1988.)

Senne said then and Thompson added recently that Decorator Depot would not compete with Stambaugh's since each aims at a different market. Other players in the immediate area are Busy Beaver, the Pittsburgh-based chain, and Color Tile, the specialty decorator chain.

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Vol. 15, No. 4 February 27, 1989

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Are co-ops restructuring the industry? — page 6

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DUSTRY SHAKES OUT ON BOTH COASTS

n's signs letter of intent to sell 28 Calif. units in management LBO

nan
LOS, Calif. — nonth after an- possible sale of stores, Gross- ed a letter of in- its 28 units in northern California as part of a leveraged buyout involving senior management in the northwest division.

The group that agreed to purchase Grossman's approximately 600-employee northwest division is led by a West Coast venture capital firm and key divisional executives headed by Grossman's general manager Robert Pacos.

And, in a move will affect the chain's entire operation, Grossman's has restructured its upper-level management. Executive vp and eastern regional president Bob Harrow is now responsible for "new ventures," and initially will map out the introduction on the East Coast of warehouse stores that have proven successful for Grossman's in southern California.

Robert Pacos is leading the managers of Grossman's northwest division in its attempted LBO. NHCN photo

Bruce Weitz has been appointed executive vp and gm in charge of the eastern division. He and Grossman's general managers of its Moore's and southern California divi-

(Continued on page 234)

Pergament sold to investor group; management to remain intact for now

By Elizabeth Brent and John Caulfield

MELVILLE, N.Y. — Pergament Home Centers, the 40-unit, $300 million chain, was sold on Feb. 28 to a group led by Equitable Capital Management Corp. and Mancuso & Co., a merchant bank.

"This transition positions us well for the '90s and beyond," said Murray Pergament in a prepared statement. He reportedly retains an equity stake in the company.

Equitable declined comment of the acquisition. Mancuso & Co. is headed by Robert Mancuso, formerly chairman of Merrill Lynch Capital Partners.

This deal led to major corporate changes at the chain.

Michael Lurie, general manager of Pergament's Hoboken Paint Co., will become the chain's executive vp and chief operating officer.

Murray Pergament will remain as the company's chief executive officer, president

(Continued on page 233)

PERSPECTIVES

Finding and keeping good employees gets tougher 23

BUYING & SELLING

Treated lumber sales hurt by higher margin woods 147

Payless banks on newest DC for its future profits

By Gary S. Ruderman

SEDALIA, Mo. — As big as 11 football fields, Payless Cashways' Midwest distribution center sits in a slight valley off the side of a busy two-lane highway between Kansas City and St. Louis.

The low-slung, earth-tone building is Payless' state-of-the-art showcase. Surrounded by a barbed wire fence and other security, it is the repository of 10,000 stockkeeping units and between $30 million and $33 million in inventory, destined for 147 of the chain's 195 stores.

The $21 million facility, which has been open for just under a year, took two years of planning to develop. But Sedalia, and the 208 employees who operate it, represent a key factor in the future profitability of the chain.

Without quantifying the savings Payless anticipates from the facility, Payless' president Larry Kunz outlined its benefits both at store level and to the corporation as a whole during an interview with this reporter in mid-February.

(Continued on page 40)

Buck Vemble monitors a scanner that sorts boxes and sends them directly to the correct truck on the loading dock at Payless' state-of-the-art DC in Sedalia, Mo. Photos by Chuck Kneyse

Former Scotty's executives to form Fla. wholesale distribution company

By an NHCN staff editor

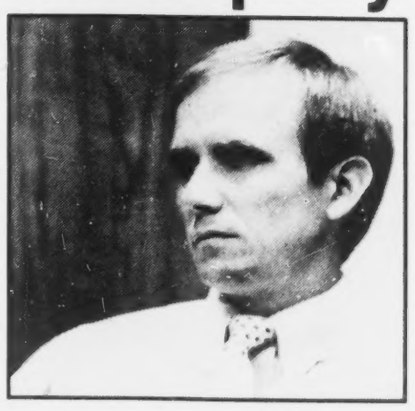
WINTER HAVEN, Fla. — Five former Scotty's executives have joined forces to develop a wholsaling venture.

Sweet's Wholesale is a distribution company based here newly formed by Jim Sweet, Scotty's chairman who sold his family's interest to Belgium's GIB group last August (*NHCN*, Sept. 5, 1988).

He is teaming up with his son, Ron, formerly director of Scotty's wholesale sales, which distributed merchandise to hardware stores nationally; former Scotty's president Dennis Stults; Dan Maffet, the chain's vp-general sales manager; and Richard Martineau, Scotty's former chief financial officer and executive vp-administration.

A distribution center and office complex is currently under construction and

(Continued on page 236)



Richard Martineau, former cfo at Scotty's, left the chain last month and joined four other former Scotty's execs in a wholesale venture.

NEWSBREAKS

WYETH TO BECOME A CATALOG HOUSE: A Feb. 28 letter to suppliers revealed the troubled Missouri-based wholesaler's conversion plans, scheduled for this month. The distributor would rely on UPS. *NHCN* has also learned that 11 days earlier, ServiStar backed away from bailing out Wyeth through acquisition. A Wyeth insider said that a bankruptcy filing for his company could be imminent, although this could not be confirmed by officials.

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INDUSTRY UPDATE

Florida Hardware joins Liberty

JACKSONVILLE, Fla. — Florida Hardware Co., an $8 million wholesaler with more than 1,200 accounts in two states, on March 1 became the 27th member distributor of Liberty Distributors.

Florida Hardware, based here, will lead the effort to raise the first Trustworthy stores banner in the Sunshine State, according to its president Ralph Thieman. He said the wholesaler expects to sign up 50 hardware and home center dealers throughout Florida and in southeast Georgia with the Trustworthy program over the next two years.

According to Liberty Distributors, Des Plaines, Ill., Florida Hardware's territory is concentrated in the northern and eastern coast of the state and north to Savannah, Ga. The total trading areas has an estimated population of 8.5 million.

Another Liberty member, Farrey's Wholesale, based in Miami with 350 retail accounts, will be expanding to cover new accounts north to Vero Beach, Fla., and up to Orlando, Fla., and west to Tampa, according to its president Bud Farrey.

Thieman said Florida Hardware had been a long-time member of the Chicago-based Allied Hardware Services marketing group, but switched to Liberty because of its stores program.

Liberty, the industry's largest wholesale merchandising and marketing group, with sales in excess of $1 billion, licenses the Trustworthy name and store design concept. Liberty members currently serve more than 3,000 dealers nationwide.

Great Central to open millwork ctr.

ST. LOUIS — The Great Central Lumber Co. will open a custom millwork showroom and a 10,000-square-foot warehouse at one of its two Jefferson City, Mo., locations this summer in an effort to cash in on the trend toward customized products.

The 2,000-square-foot showroom will be a place contractors can bring their customers to show them products as they might appear in their homes, said Richard Millman, president of Great Central Lumber.

"It seems to be the trend and the way things are going," Millman said in describing the reasoning behind Great Central's new endeavor. Construction of the warehouse and showroom will begin in spring and is expected to be complete by summer. Three or four additional people will probably be hired once the showroom and new warehouse are open, Millman added.

Great Central operates four stores and a truss plant in Missouri and Illinois. About 75 percent of its business comes from professional customers and the remaining 25 percent from DIYers.

FOK moves operations to Denver

DENVER — Farwell Ozmun Kirk (FOK) is putting its new buying location for the Trustworthy stores program of hardlines distributor in this city.

The announcement last month followed a number of changes for American Hoist & Derrick Co., parent company of FOK and CoastAmerica Corp. American Hoist's new name will be AMDURA, and its corporate offices will move to Denver this year from South St. Paul, Minn.

The changes reflect AMDURA's new makeup: 70 percent of its estimated $800 million in sales come from distribution. Half of its activities are currently in Denver, according to Robert H. Nassau, AMDURA president and ceo. Denver is also the home of the buying organization for the 1,000 Coast to Coast Total Hardware and Coast to Coast Home & Auto stores. FOK supplies an estimated 600 Trustworthy stores in the upper Midwest.

A combining of the Coast and Trustworthy buying staffs is under consideration. The buying functions for FOK's largest customer, mass merchandiser Target, will remain in South St. Paul. All 35 corporate employees and a "limited number" of the 140 FOK office employees will "be affected by the planned moves," the company stated.

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HWI targets Los Angeles with its first moves into California

By an NHCN staff editor

FORT WAYNE, Ind. — Hardware Wholesalers, Inc. (HWI) has signed its first two dealer-members in the metropolitan Los Angeles area, and the co-op based here plans to have between 30 and 40 HWI stores operating in southern California by mid-year.

It is the 2,800-member co-op's first venture into California and the 30 to 40 stores will be concentrated in the Los Angeles and San Diego metropolitan areas.

But early on, Los Angeles is "literally where we are focusing our energies," says Jim Mills, HWI's Western division sales manager.

The formal effort to recruit members in that area began in mid-January. HWI mailed 1,500 letters to dealers in the state. The response has been so great, Mills said, that additional personnel have been sent west from the Fort Wayne headquarters to conduct evening presentations to interested dealers.

Targets larger stores

"Obviously we're new and everybody wants to know what we're doing," Mills said about dealer response to HWI.

Mills refused to disclose who the first two dealers were, saying only they are both in the Los Angeles metropolitan area; one being a "pretty good size home center" and the other a hardware store. They will operate under the HWI name by mid-March.

The co-op had been researching the number of hardware stores and building material dealers, in addition to the spending power of consumers in southern California, for some time and "all our reports came back very positive," according to Mills.

Specifically, larger hardware stores are being targeted as new members, which would "very definitely" make them ideal candidates for Do-it Centers, the co-op's home

(Continued on page 234)

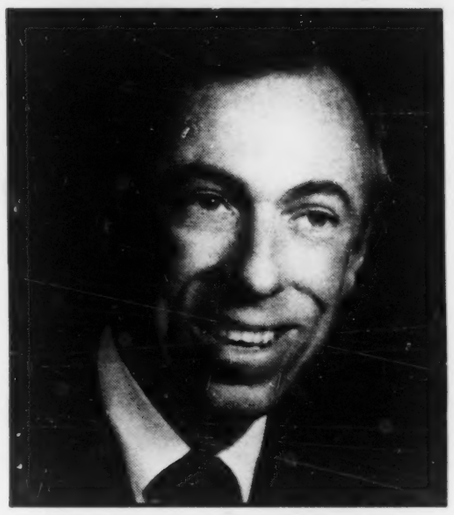
Second generation president of Fla.'s Causeway Lumber dies; son carries on

By an NHCN staff editor

FT. LAUDERDALE, Fla. — Gene A. Whiddon, president of Causeway Lumber, died Feb. 10 after a long battle with cancer. He was 60.

Whiddon's youngest son, M. Scott Whiddon, succeeds his father as president of Causeway as the third generation to run this family-owned business.

Originally from Lenox, Ga., Gene Whiddon came to Fort Lauderdale in 1937. After a tour of duty with the U.S. Air Force in 1950, he joined the lumber company started by his father, the late O. R. Whiddon.



Gene A. Whiddon

In 1962, he became general manager and then president after his father's death in 1970. Under his guidance, Causeway Lumber has grown with locations at Ft. Lauderdale and Boca Raton in southeast Florida and in Bonita Springs on Florida's southwest coast.

By *NHCN* estimates, it is the 96th largest retail operator in the industry, with sales exceeding $44 million.

In 1967-68, Whiddon served as president of the Florida Lumber and Building Material Dealers Association, after being named the group's Lumberman of the Year in 1965.

Whiddon was a founding member of the Broward Builders Exchange in Ft.

(Continued on page 234)

Paty Co. adds 7th unit with latest buy

By an NHCN staff editor

PINEY FLATS, Tenn. — The Paty Co. added a seventh building center to its Southern operation with last month's purchase of McGuffin's Lumber Co. of Morristown, Tenn.

McGuffin's has operated as a Paty store since the purchase in early February. John Kiss, vp-marketing at Paty, would not disclose terms of the deal. *NHCN* estimates McGuffin's annual sales last year at $7 million.

"This is certainly an increase in business for us and it will improve our profitability," said Kiss.

George McGuffin, who founded the company in 1951 and who was its president until the acquisition, is no longer associated with the company and could not be reached for comment.

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Commodities programs make co-ops more attractive

By John Caulfield

NATIONAL REPORT — In January, ServiStar, the hardware wholesale co-op, signed on as new dealer-members Lampert Lumber, the 44-unit home improvement chain based in St. Paul, Minn., and Erb Lumber, the 50-unit, Birmingham, Mich. chain.

Hardware Wholesalers, Inc. (HWI), another co-op, generated half its $1 billion annual volume in fiscal 1988 from the sale of building materials and currently is one of the biggest customers for several commodities suppliers, including Weyerhaeuser.

In January, Ace Hardware, the Oak Brook, Ill.-based hardware co-op, held its first buying show for the 1,600 of its dealer-members participating in its lumber and building materials program, a number that's up 60 percent over 1987.

Building materials is the fastest-growing segment of Our Own Hardware's sales. And Cotter & Co., the nation's largest hardlines co-op whose commodities billing made up around 6 percent of its $2 billion in sales last year, wants to boost that percentage to the levels achieved by ServiStar and HWI, according to the manager of Cotter's program.

For the past several years, the hardlines co-ops have been reshaping the landscape of home improvement retailing, first through the development of in-store remodeling programs that modernized many of their members' stores, then through the expansion of dealer services, and now through a concerted effort to capture a much bigger slice of the building materials distribution pie.

"The war at retail ultimately is going to be won by those with the best combination of product assortment and service," said Don Belt, senior vp-sales and marketing for ServiStar, the Butler, Pa.-based co-op.

Billing for Lumber and Building Material Distribution 1988

Buying Group	LBM Sales	Percent of Sales
Hardware Wholesalers, Inc.	$500 mi	50
ServiStar*	$495 mi	46
Cotter & Co.	$125 mi	6
Ace Hardware	$104 mi	7.5
Our Own Hardware	$ 21 mi	15
Total	$1245 m	22

*includes "associated building products" category

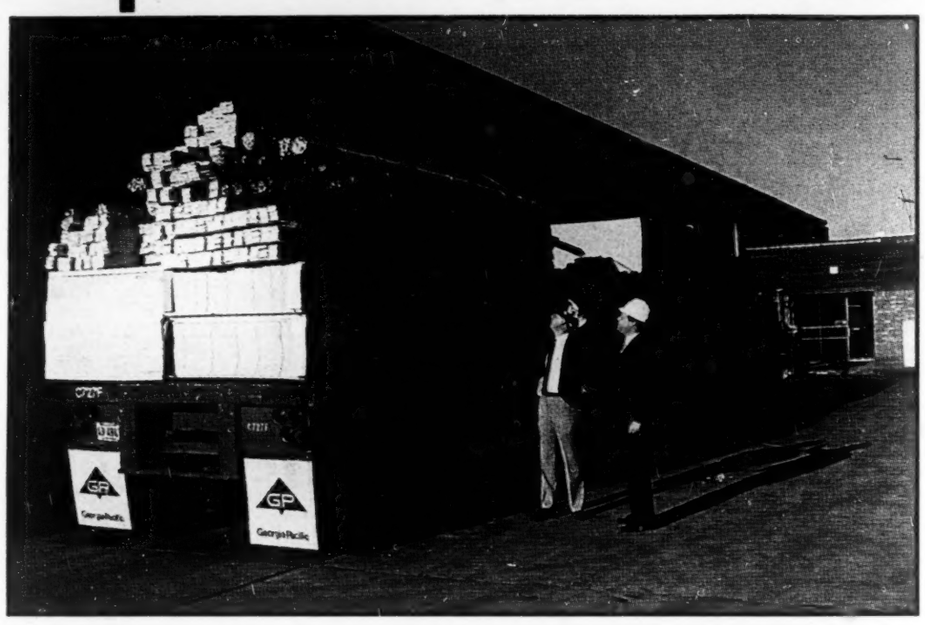
NHCN Chart Source: Company officials

The result has been a fundamental restructuring of the industry in terms of who buys what where.

"Right now, I'd say the co-ops are the biggest threat to the independent building materials distributor," said Perry Sparks, a former president of the National Lumber and Building Material Distributors Association (NBMDA), and the president of Lumberyard Supplies, a large wholesaler in St. Louis. Nearly three-fourths of Lumberyard's retail accounts belong to the Fort Wayne, Ind.-based HWI.

In fact, the co-ops are a threat to just about anybody selling anything. In 1988, five leading hardlines co-ops—Cotter, Ace, ServiStar, HWI and Our Own—did in excess of $5.6 billion in aggregate sales, and more than one fifth of that was from billing dealer-members for building materials.

This commodities business would be about equal to what Lumbermen's Merchandising Corp., the country's largest commodities broker, billed its dealers last year, and more than the combined sales of Builder Marts of America (BMA), ENAP and Central Builders Supply, the second, third and fourth largest brokers.



Bob Maurer, left, merchandise and marketing manager for Ace Hardware's lumber and building materials program, inspects a mixed load of lumber and building materials with John Dilly, branch manager for Georgia-Pacific's Elgin, Ill., DC.

Not all dealers are enamored with how the hardware co-ops sell these products. "Unfortunately, Cotter is stronger in the Midwest and really doesn't understand our market," said Robert Richie, president of Eastern Lumber, a dealer in Amesbury, Mass., which belongs to Cotter but orders commodities through BMA.

And in some areas of the country—the South, parts of the Northeast, most of the areas west of Denver—the co-ops' market penetration still flags. "We rarely compete against them," noted Steve Michael, a vice president with Spartanburg Forest Products in South Carolina.

But the fact remains that hardlines co-ops are taking business from somebody with their expanded menus of products and services to gain greater, perhaps national, market penetration.

Going beyond hardlines

The service that has gotten the industry's attention has been the co-ops' building materials distribution program.

In January, HWI saw its building material dealer-members who attended its buying show in Orlando, Fla., increase their lumber orders from the co-op by 45 percent over 1987. Ray Treen, HWI's vp-building materials purchasing, attributed that growth to "a market price move which made our block buys and reload center inventories even more competitively priced."

The co-ops in general appear to be taking positions on lumber and building materials that are making them far

(Continued on page 158)

UBC's rebuilt store provides increased product visibility

By an NHCN staff editor

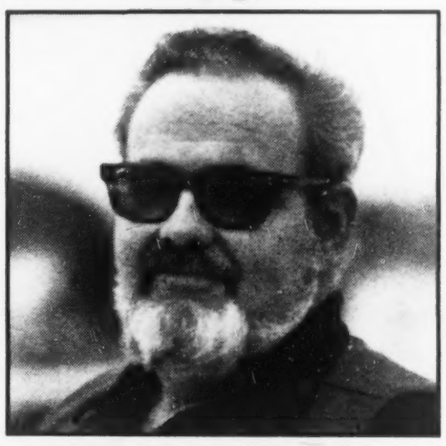
BOONE, Iowa — Lynn Abbott is a case study in the headaches and the rewards which a store manager can expect when he gets intimately involved in the renovation of his store.

Abbott, the manager of the United Building Center (UBC) store in this town northwest of Des Moines, served as his own general contractor during a recent four-month overhaul of the unit. An old, 2,500-square-foot retail store that amounted to little more than a service counter was demolished as the company moved into a new 12,000-square-foot showroom.

"We tried to keep everything local," Abbott explained while subcontractors finished a bath display nearby. "The contractors here are our bread and butter," accounting for 60 percent of the unit's sales. "And basically, they bought it [the materials] all here."

New product visibility

The main result of the construction of a new building is the new visibility of UBC's mix. Products long unseen in the warehouse are now on the new sales floor.



UBC store manager, Lynn Abbott. NHCN photo

(Continued on page 236)

Hardware imports from U.S. to Canada, 1987

	Total Imports	Imported from U.S.	Percentage of Total
Adhesives	$149.9	$129.8	86.6%
Paint/varnish	343.4	272.7	79.4
Garden products	682.7	539.6	79.0
Electricals	729.1	558.9	76.6
Builders hardware	590.5	428.3	72.5
Glass products	71.9	51.2	71.2
Fixtures/fittings	565.2	385.9	68.2
Doors/windows	90.5	58.9	65.1
Abrasives	90.3	54.6	60.5
Hand tools	276.1	157.6	57.1
Power tools	278.3	140.4	50.4
Wire/wire products	93.2	42.6	45.6
Cordage/twine	28.2	7.4	26.2
Housewares	590.6	184.4	31.2
Sporting goods/equipment	881.5	386.8	43.9
Miscellaneous	986.8	780.2	79.0
Total	6449.1	4139.4	64.2

Dollar amounts are in millions of Canadian dollars

NHCN Chart Source: Statistics Canada

U.S. maintains dominant share of Canadian hardlines imports

In 1988, according to U.S. Commerce Department estimates, America exported $70.9 billion in products to Canada, its largest trading partner, but imported $81.4 billion, producing a deficit of $10.6 billion. However, U.S. market share of all imported hardlines and related products entering Canada is still dominant as shown by the above statistics calculated by Statistics Canada for 1987 (the latest year calculated). The recent agreement that will eliminate trade barriers between the U.S. and Canada in five years is expected to increase trade on both sides.

More on the Canada-U.S. trade agreement appears on page 208.

Expanding into the Chicago market proves to be a tough nut

By Gary S. Ruderman

CHICAGO — Doin' anything special for all those Home Center Show visitors that might come to your store? "Nope," say most dealers here. "Nothin's changed."

Regional Outlook

That is, until Menards comes barreling into town. John Menard, president of the 40-unit chain, told *NHCN* in late February that he hopes to have "a bunch of stores" in the Windy City within the next few years. Then Chicagoans will get their first taste of the type of "store wars" for which Menards is "loved" throughout the upper Midwest.

Menards' invasion notwithstanding, though, it does appear that little has changed in Chicago. The market here stopped expanding, some believe. All the competition that's looked at Chicago has either moved in or turned its back, they insist.

National chains such Builders Square skirt the city with 15 stores, but no dealers have stepped inside the city's limits. Home Depot, filling in the country and apparently leaving the Midwest for last, might be waiting to see what happens with Builders Square here.

"Chicago's not the soft touch everybody thought," observes Alan Saks, president of 40-unit retailer Saxon Paint, which celebrates its 75th anniversary this year. Chicago is a lot of little

(Continued on page 233)

Buying & Selling

merchandising

Co-ops seek bigger share of building material sales

(Continued from page 6)

more important customers to vendors and dealers alike.

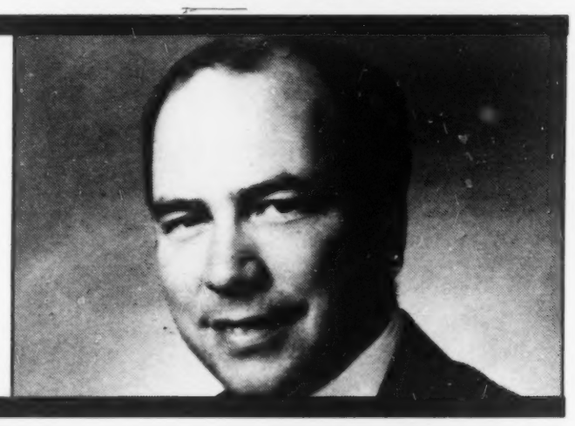
"The buying groups have finally realized that they aren't selling hammers," said Steve Stookesberry, a vice president with the four-unit Economy Lumber & Supply in Denver,which is a strong member of Builder Marts of America, but has seen an increase in the amount of commodities it will purchase through HWI. "They've finally learned how to work in this business."

This activity was precipitated by the efforts among the co-ops to "clean up" their members' businesses, both in terms of their stores' physical presentation and way of doing business. In many ways, the success of remodeling and operational services the co-ops have developed primed their dealers to be able to expand into commodities merchandising.

"We're getting better quality dealers into our program, which has been a slow process but really shows dividends," said Jim Weyrems, president of Our Own, the Burnsville, Minn.-based co-op,which began its seven-man building materials department in 1975. "By offering this program, you can see a dealer go from $100,000 in annual purchases to $1 million just like that."

Proof of that can be found in Massapequa, N.Y., where Macrose Industries' three stores currently purchase 75 percent of all the gypsum they sell annually—about 100 trailers—through Ace Hardware.

> "The war at retail ultimately [will] be won by those with the best combination of product assortment and service."
>
> —**Don Belt,**
> *senior vp-sales and marketing, ServiStar*



"Ace is constantly cutting deals with vendors, and I take advantage of specials at the co-op's dealer shows," said Marc Paulenoff, Macrose's vp. He added that before Ace's program was begun in October of 1986, his stores didn't have the buying clout to purchase molding direct; now they can through Ace's program "so we're part of a car or truck delivery.

"Buyers just like me are changing our habits and using more co-op purchases," Paulenoff stated. "The co-ops are getting sharper with the manufacturers."

G-P, Weyerhaeuser key partners

Billing its dealers for receipt of building materials is not new for the co-ops; HWI has been at it for 40 years, according to its executive vp Mike McClelland. But it has only been within the past 15 years that the buying groups have taken serious aim at this segment of the business.

The system they use is basic, and not much different from the way hardlines are handled: Dealers order products through the co-op, which places the order with a vendor. The supplier ships the merchandise to the dealer and bills the co-op, which in turn bills the customer. At the end of a predetermined period—three months, a year—the dealer gets a rebate based on volume purchases.

By and large, dealers are ordering in truck- or carload quantities. And all the co-ops but Cotter have arrangements to let dealers purchase in less-than-truckload (LTL) quantities from Georgia-Pacific's and Weyerhaeuser's extensive distribution networks.

"The beauty of using these two sources is that it gives you national distribution," explained Bob Mauer, merchandise and marketing manager for Ace, three-fifths of whose commodities program is in the billing for gypsum distribution. "The whole theory is that you can leverage a lot of little dealers with big volume purchases."

"You'd be amazed at what these dealers order," noted Sam Gaddis, director of national sales for G-P, who ironically was interviewed by *NHCN* by phone while attending the Builder Marts of America buying show. "Roofing and lumber, sure, but also rebar, molding . . . it runs the full gamut."

A spokesman for Weyerhaeuser added that the co-ops "are helping expand the market to a broader base of dealers, and can help us understand the specific needs of their memberships."

Distributors jump on bandwagon

Sources interviewed for this story point out that the co-ops are filling a niche that, in many ways, has been vacated by independent distributors.

"What the co-ops are doing obviously works, because they're taking business away from independents who have let this happen because of their marketing inexperience and reluctance to change," said Ron Ross, vp-operations for Cameron Wholesale, the Waco, Texas-based commodities distributor that did $60 million in dealer business last year.

"In reality, though, how can the co-ops compete with someone like us; we have 50 trucks, 14 warehouses, 40 field salesmen and two-day service."

It appears the co-ops recognize some of the shortcomings of their programs, because they have been striking deals with a number of regional building materials distributors to handle product shipments.

"The co-ops know they haven't done a real good job of branching out into building materials on their own, so they are wisely turning to companies like ours for help," said Richard Kasper, president of Amerhart Ltd., the Green Bay, Wis., distributor with three warehouses, which began servicing a number of the co-ops three years ago.

This connection between the co-ops and independent commodities distributors, in fact, has quite a long history. Sheldon Modansky, a vice president with Ajayem Lumber in Walden, N.Y., recalls making a presentation to ServiStar for the startup of a building materials program 15 years ago.

"We are an extension of their sales organization," said Modansky, whose company in early February signed an agreement to service Cotter's dealers.

However, he's of two minds as to whether these programs are actually benefiting the market. "I don't agree that dealers should buy this way, and the co-ops are answering the needs of the small yard by making it order in truckload quantities.

"But I can't stop this, so I might as well join in," he said.

Wholesalers fight back

These kinds of interactions between the co-ops and independent distributors are bound to continue. For example, Ace will use Ajayem, Diamond-Hill in South Carolina and the Sequoia Supply's 33 distribution centers to get commodities to its dealers this year. ("Our challenge will be to figure out how to continue to do this profitably," noted Paul Hylbert, president of the Irvine, Calif.-based Sequoia.)

Even Cameron Wholesale is negotiating with HWI and Allied Building Stores, the Louisiana-based buying group, to service their members.

However, Cameron—which Ross, its vp, said captures 35 percent market share in millwork and roofing—isn't just looking to pick up business from the buying groups; it has recently developed its own program that pays participating dealers a rebate based on purchases. Rebates are generally seen by distributors as one of the primary weapons in the co-ops' competitive arsenal.

The commodities buying groups have also reacted to the co-ops' threat, in essence, by finding independent hardlines suppliers to strike deals or merge with in order to keep their own members in the fold.

For example, in October ENAP, the Newburgh, N.Y.-based buying organization, agreed to cross-pollinate with Emery-Waterhouse, the Portland, Maine-based hardlines distributor,which is the second largest in the U.S. "These kinds of marriages have got to continue," said Bill Sherry, ENAP's president, "if we want to keep the co-ops from getting more of the 'paper' [i.e., billing] business."

The best-known of these unions was the merger last year of CoastAmerica and BMA. "Our aim is to reduce the number of 'joiners,' " said Paul Dodge, president of dealer services at the Greensville, S.C.-based BMA, referring to dealers who sign on with co-ops.

Stronger dealer 'packages'

The one question that remains unanswered at this point is where the co-ops want to take their programs.

With the exception of ServiStar, it does not appear the other co-ops are interested in signing on larger home center chains as members. In fact Sparks, the president of Lumberyard Supply, believes his company's "salvation" could be in servicing regional chains that have decided it is more efficacious to buy through distributors "but don't want to commit to the co-ops' total package," he said.

However, it does appear that the "total package" has put the co-ops in the enviable position to go after any

Mike McClelland, HWI's marketing vp, says that HWI doesn't emphasize product availability because dealers have numerous buying options, but in the 1990s retailers will seek distributors' help in making money. NHCN photo

kind of dealer they want to in any area of the country.

"I get excited when we can use all our pieces of the puzzle and work with suppliers to develop programs for our members," said Larry Wending, assistant divisional manager for the Chicago-based Cotter, which currently has 33 people in its 18-year-old building materials department. Wending noted that one of Cotter's strengths was the national circulation of its 26 advertising circulars, and in a few of these the co-op has dedicated space for building products "or we've emphasized the project theme," he said.

"We don't really spend a lot of time on product availability because dealers have so many options where they can buy," said HWI's McClelland. "But going into the 1990s, retailers are looking to distributors for help in making money, and that's where our programs come in."

Service was the reason why Lampert Lumber signed up 43 of its 44 stores as ServiStar members, according to Danny Less, the chain's general merchandise manager. (The outstanding unit is a contractor-only yard.)

Starting March 15, the co-op will provide Lampert's stores with about 3,500 of the 7,000 stockkeeping units they carry, and will be evaluating whether to use the co-op's building materials program. "What's more important for us is that ServiStar will go through our product mix and tell us what we should and shouldn't be carrying."

Equally significant is Less' assertion that any new stores Lampert builds will likely employ ServiStar's turnkey "Store of the Future" format.

Service may also be the key for the co-ops to expand their already formidable penetration with current dealers. For instance, the 11-unit Hader Hardware in Cincinnati received the biggest rebate check—$550,000—in HWI's history last year, and purchases more than 80 percent of all it buys out of the co-op's warehouse.

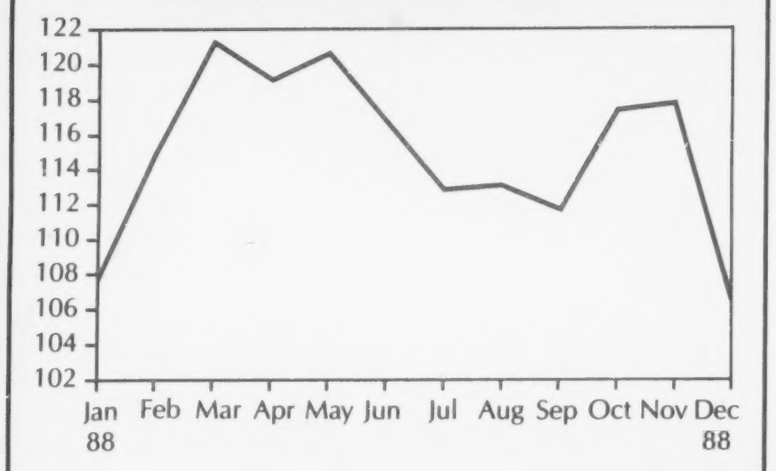
Hader currently handles no commodities "and I don't think HWI's having a building materials program would influence our decision to take on those products," said vp-merchandising Rich Suder. "There's lots of suppliers out there."

But, Suder conceded, the co-op's commodities program "could make it easier for us to go that route."

Business Watch

Section 4

Declining affordability . . .



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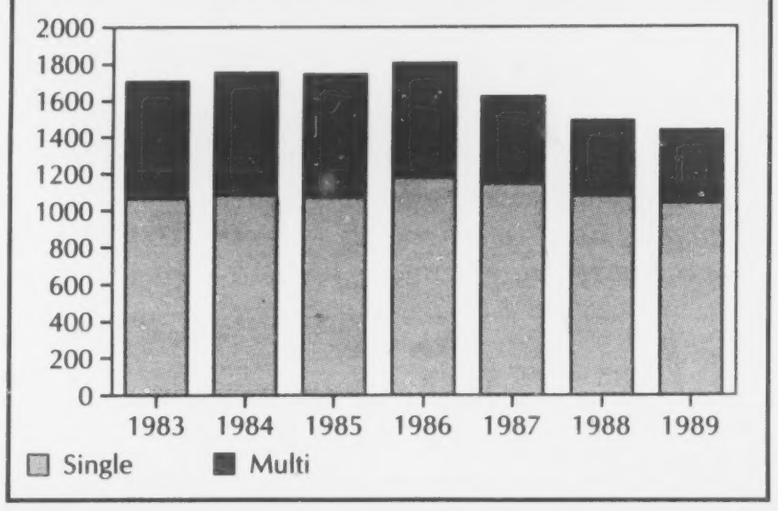

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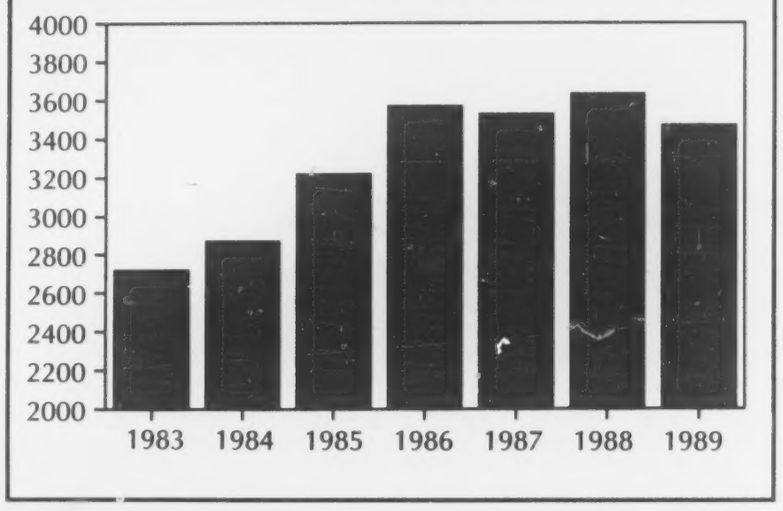


Slumping starts and resales will dampen LBM sales growth

By Richard E. Mount
Special to NHCN

Declines in both new housing starts and resales are major reasons for the projected slower growth in building material sales for 1989.

After increasing 9 percent in 1988—5.3 percent in unit volume—retail building material sales are expected to be up 5.2 percent this year—1.4 percent in unit volume.

Richard E. Mount

Affordability will be the major problem for housing in 1989. The affordability of new housing is .9 percent lower than a year ago. Mortgage rates are rising, currently 10.6 percent up from 10.5 percent a year ago.

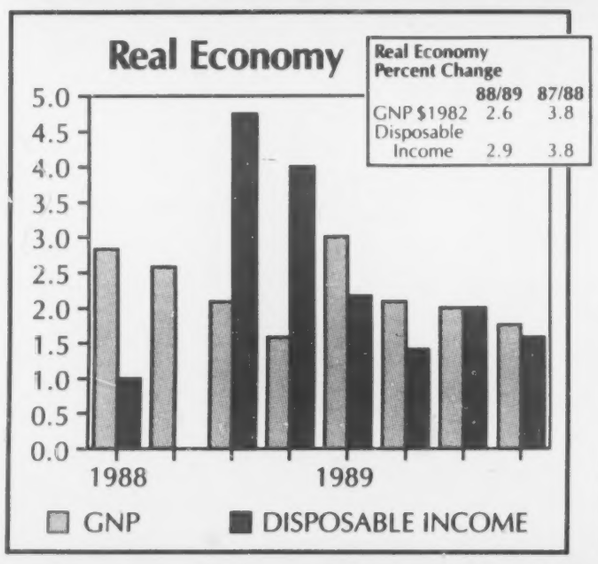
The weakness in housing starts is shifting from the multi-unit sector to singles. Last year, multi's were off 14 percent, singles 5.8 percent. Multi softness was brought on by prior overbuilding and changes to the tax laws in 1986. Single unit starts are likely to be down 4 percent in 1989.

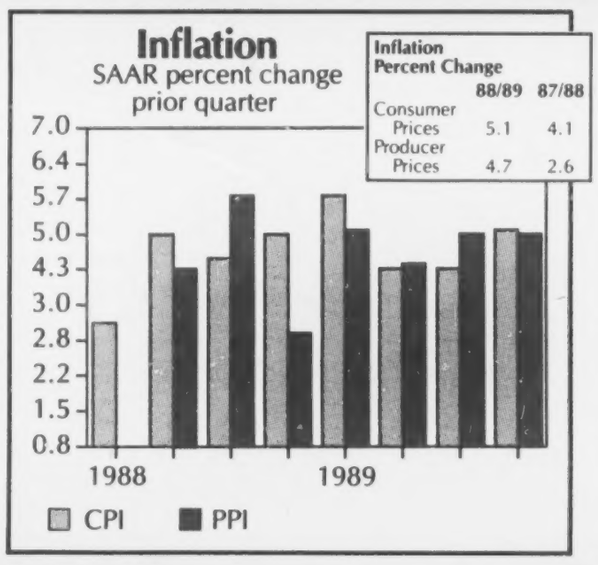
Resales will weaken 4.5 percent in 1989. In large part this decline is due to the strong year resales had in 1988, up 2.9 percent from 1987 versus an 8.2 percent decline in starts. Resales will remain at a relatively strong 3.5 million units this year because of their price advantage over new homes. Average new homes are 38 percent more expensive than resales and, with growing concerns with affordability, buyers will pay increased attention to existing homes.

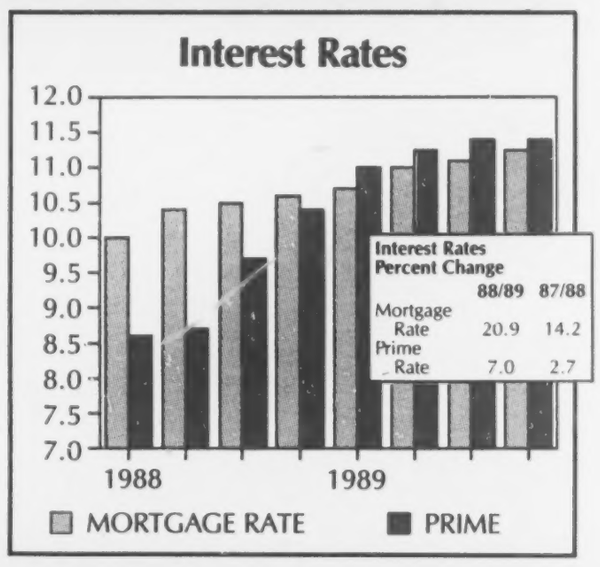
For building material retailers, 1989 will be a year of slower growth, but not decline. Housing and resales posted strong gains in late 1988, and will boost building material demand through the first three quarters of 1989. With the economy likely to expand modestly this year, home remodeling will sustain demand in late 1989.

Richard Mount is president and chief economist with Mount Economic Consulting.

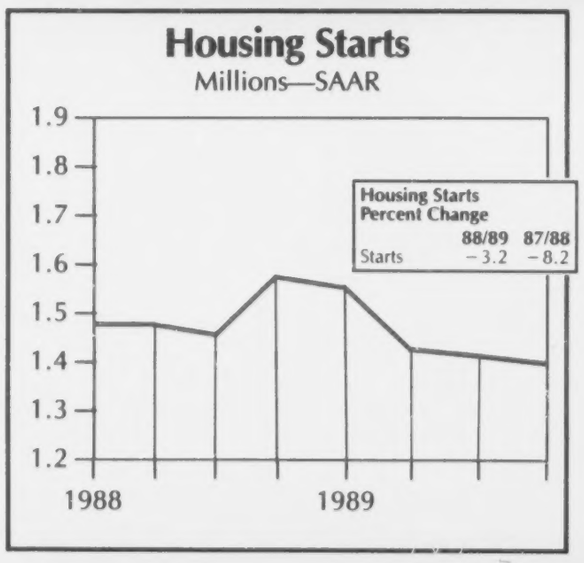
General Business Conditions

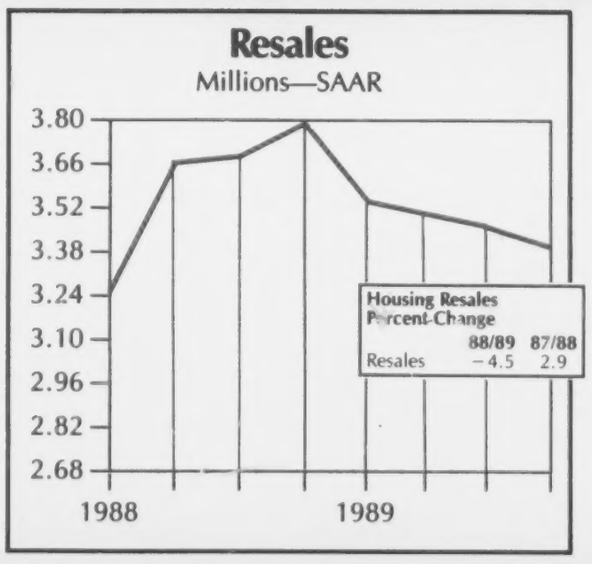


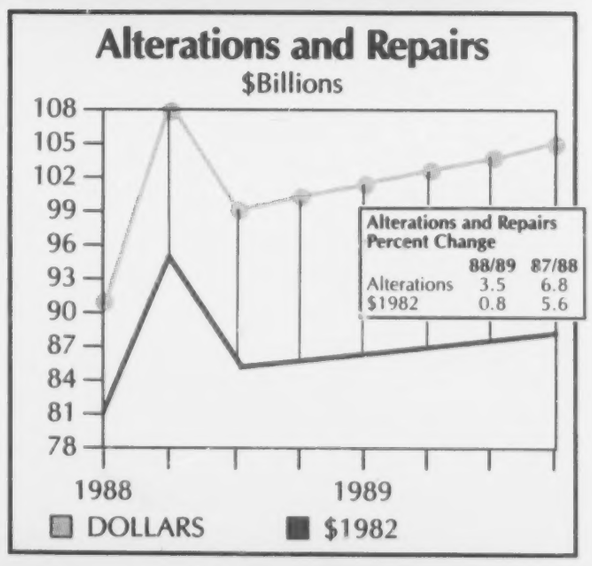




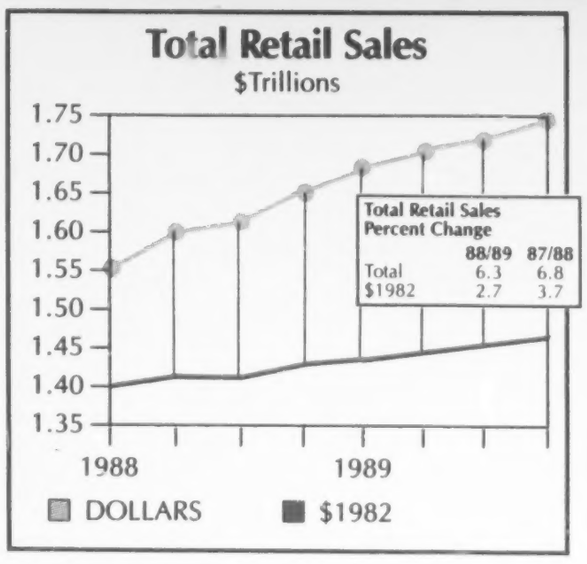
Housing

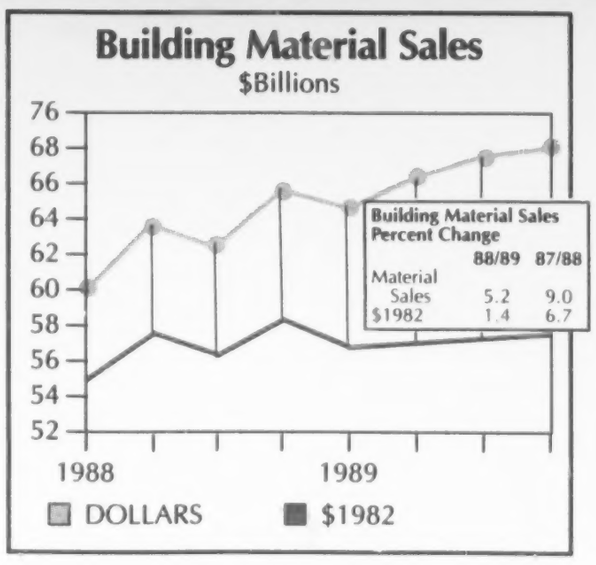


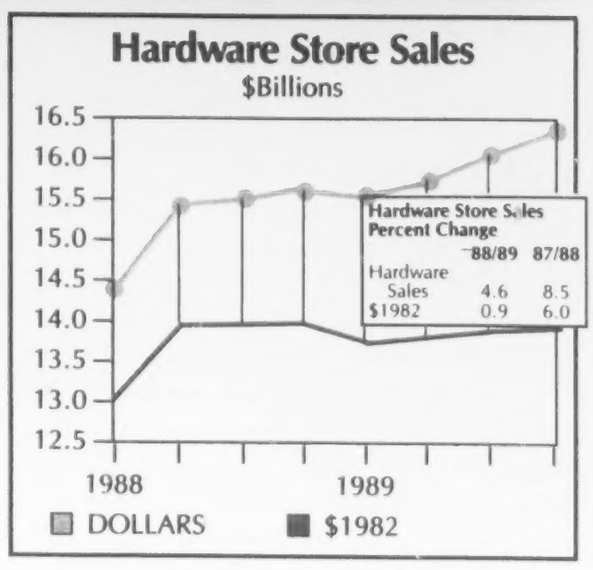




Retail Trade Activity







Data: Dept. of Commerce
Bureau of Labor Statistics
National Association of Realtors
Dept. of Housing and Urban Development

The Home Center Industry Outlook runs in two parts, one each month. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material and supply store sales.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart

Business Watch

housing

More space, more luxury top homeowners' wish lists

By an NHCN staff editor

NATIONAL REPORT — Consumers want bigger, fancier homes.

They want comfort and informality. So kitchens and family rooms are more important to them than living and dining rooms.

They don't want to be boxed in; high ceilings, skylights and a kitchen that is visually open to the family room are all part of their wish list. And in order to get their favorite features, they are willing to accept having a portion of the house left unfinished, and are willing to commute long distances to work to live where they want.

These are some of the findings from a new survey conducted by the National Association of Home Builders (NAHB), called "What Home Buyers Want."

The 1,776 respondents all purchased new homes recently and therefore had had to face the tradeoffs involved in choosing a home.

The NAHB had carried out similar surveys in 1980 and 1985, but this was the most detailed because it repeatedly made the homeowners keep the costs in mind by putting price tags on luxury items.

A bigger energy efficient house with more luxury features and a larger lot are the leading items that home buyers would look for in choosing another home.

The designs of homes change with lifestyle. Sixty-five percent of the respondents stated that informal eating and cooking were very important and socializing and informal entertainment were next in importance.

Hence the emphasis was on larger kitchens and family rooms rather than formal dining rooms and living rooms. Over half of those questioned wanted island eating space in the kitchen and 47 percent would like to have a built-in nook in the kitchen.

Even if a home included a den, a family room was still a must for seven out of 10 homeowners.

Luxury features were thought important regardless of the price range of the home. Respondents wanted a wet bar in the family room and skylights in more than one location; 65 percent wanted them in the bathroom, 50 percent in the kitchen and 33 percent in the master bedroom.

Room to store things

Storage was another important criterion. A walk-in pantry in the kitchen was a big attraction and despite a general preference for a well-lit kitchen, cabinet space was valued more highly than a window area. A walk-in closet in the master bedroom or his and her's walk-in closets were demanded, and bathroom closet space was also popular.

About a quarter of the homeowners preferred three baths or more and 46 percent preferred to have 2½ baths. Homeowners were equally divided between a steel/porcelain tub shower and molded fiberglass. About 50 percent preferred a separate shower stall and tub, despite the cost.

A vanity with two bowls in the master bedroom's bathroom was preferred by 70 percent, and 52 percent wanted a toilet separate from the bath.

Homeowners were divided in their preference for different finishes on faucets. About 30 percent wanted chrome finish while 27 percent preferred polished brass and 22 percent antique brass.

A four-bedroom house was the most popular design, although the fourth room was to be used for many purposes—as a guest room, den/library or office or hobby/sewing room.

Four bedrooms for options

Although family size is decreasing, home size is increasing, so the demands for large space are based on values and lifestyle considerations rather than physical needs.

Respondents would prefer to commute longer distances rather than give up space or luxury features. Male heads of households spent over 26 minutes commuting about 16 miles to work while female heads of households spent 23 minutes traveling 13 miles a day.

Important Features in the Base Price of the Home

Percent of respondents rating very important

	1988	1985	1980
Quality of Paint	55	74	N/A
Quality of Carpeting	62	74	75
Two-car Garage	82	70	78
Room Size	48	66	82
Central Air	76	64	64
Quality of Floor Tiles	48	60	68
Basement	45	46	53
Separate Family Room	64	45	63
Fireplace	61	44	64
Brick Front	38	42	43
Brick Siding	25	35	31
Large Lot	42	35	59
Separate Dining Room	49	34	50
Formal Entry Hall	34	28	34
Bedroom w/ Sitting Area	19	20	15
Jacuzzi	17	9	N/A
Hot Tub	7	7	N/A

Requested Bath Fixtures

Taking into account likely cost

	Percent
One Bowl Vanity	72
Two Bowl Vanity	20
Sink Only	4
Closet Space	36
Toilet Separate	17
Bidet	1

According to the NAHB survey, most home owners want high quality in their homes, but more space, whether for cars or clothes, seems to be in the most demand, as these charts show.

Source: NAHB study "What Home Buyers Want."

Growth in installed sales encourages partnerships

(Continued from page 202)

program, which offers the chain's strong name, guarantee and sales force, in a quasi-partnership with the contractor.

Goes to market 3 ways

Sears, which reportedly does close to $1 billion in installed sales annually, offers three different programs:

- SFI or "Sell, Furnish and Install," where a contractor rents the Sears name for 15 percent but runs his own advertising, installation and buys his own materials;
- FI or "Furnish and Install" where the contractor furnishes the materials and installation, but Sears advertises and sells the service, usually for a 40 percent to 50 percent cut;
- Finally "Installation," where Sears buys the materials, advertises and sells the project and sub-contracts the installation.

"We're suggesting good prices, good service, a contractors desk, and a showroom," said Stoeppelwerth. "A partnership with the home center or manufacturer can help the remodeler do a better job, help with sales training, and ways to build a more professionally run business."

Owens-Corning Fiberglas is one of a number of manufacturers now involved in helping the remodeler and home center build this partnership. It has developed a series of video tapes for remodeling seminars designed to help the remodeler better run his business.

Caution advised

Home center chains and independent lumberyards and distributors are using the seminar to invite remodelers into their facilities and develop partnerships.

In selecting remodelers that have potential to grow, Stoeppelwerth advises asking a series of basic questions: What is your market niche? Do you use professional selling skills? Do you pay your men well? Do you have teams with lead men, *e.g.* a lead carpenter? Are you on or thinking of adding a computer? Do you set up production and organize it?

"The market demands better than it's getting," said Stoeppelwerth. "Remodelers don't have the time to do it all; they need a partnership and networking."

Affordability tops housing agenda

By an NHCN staff editor

WASHINGTON — Affordability and homelessness are two major issues on the housing agenda for 1989.

President George Bush has already set aside an additional $50 million in federal funding for a homeless housing program, and the National Association of Home Builders (NAHB) is making affordability part of its legislative lobbying effort with the 101st Congress.

The NAHB will support a number of financing proposals to encourage first-time buyers. These include innovative ways to provide down payments and reduce interest rates.

It is concerned that the mortgage revenue bond program will expire at the end of 1989 unless Congress grants an extension. This helps first-time buyers with moderate incomes qualify for low interest loans through a bond program administered by local governments.

High on the list of priorities is its attempt to index the ceilings on Federal Housing Administration (FHA) mortgages to 95 percent of an area's median house price. It also wants to reduce FHA down payment requirements and expand the FHA and Veterans Administration (VA) mortgage programs.

In addition, the FHA has several proposals to lower down payments and raise mortgage limits in high cost areas.

Senators Alan Cranston (D-Calif.) and Alfonse D'Amato (R-N.Y.) plan to introduce "The National Affordable Housing Act" in 1989, which addresses affordability problems in both the single- and multi-family arenas.

This Act will allow first-time home buyers to use tax free savings from IRAs, 401K and other retirement plans for down payments, thus removing a major obstacle.

It also extends housing tax credits to individual investors financing multi-family units targeted at the low income renter.

Rep. Henry Gonzalez (D-Texas), chairman of the House Banking Committee has also introduced the "National Affordability Fund Act." This bill proposes setting up a federally funded housing trust to subsidize interest rates for first-time home buyers. This would bring the fixed rate down to 6 percent, but it would cost more than $2 billion a year, according to Floyd Williams, vice president and legislative counsel at the NAHB.

The NAHB continues to support the McKinney Homeless Assistance Act and called for full funding of the Act, which includes tax credits to attract private money to builders who construct shelters and multi-family dwellings for single rental occupants.

Part of the the President's $50 million additional housing fund will be used to fund the McKinney Act. In addition, it will fund the "Enterprise Zone" concept being advanced by Secretary of Housing and Urban Development Jack Kemp. This offers tax incentives to private businesses in distressed areas to build affordable housing in areas where it is hard to hire employees.

The NAHB is also concerned that Congress may cut back on the mortgage interest deduction, but it sees this as a "looming threat" rather than an immediate one.

Business Watch

stocks

Wolohan Lumber's 1988 sales jump a record 13 percent

By an NHCN staff editor

SAGINAW, Mich. — Strong fourth quarter sales combined with a reduction in the corporate income tax rate were credited for a record 13 percent increase in 1988 sales for Wolohan Lumber Co.

Wolohan reported net income of $11.2 million on sales of $257.8 million for 1988, up from net income of $9.01 million on sales of $228.6 million in 1987. Net income per share rose to $1.92 in 1988 from $1.53 for the same period a year before.

Increase in contractor sales

Fourth quarter sales rose 13 percent to $64.3 million from $56.8 million in 1987. James Wolohan, president and ceo, said the boost in fourth quarter sales came from an 11 percent increase in contractor sales and a 2 percent hike in DIY segment sales. Comp store sales for the 45-unit chain increased 6 percent in the fourth quarter, according to Wolohan.

Quarterly net income rose to $2.86 million from $2.7 million. Wolohan credited the fourth quarter earnings rise in part to a decrease in corporate income taxes.

In a prepared statement, Wolohan said the company expected to boost 1989 capital spending by 18 percent to $12.9 million. Robert Anderson, executive vp and cfo of Wolohan, expected the chain would acquire or open four to five additional stores this year.

In a separate announcement, Wolohan chairman David Wallace named F. R. Lehman as the newest member of the Wolohan board of directors. Lehman is vice president of Dow Chemical U.S.A. and general manager of Dow's Michigan division.

Industry stock prices sag

The two weeks ended Feb. 24 were mostly bad news for publicly traded home improvement companies. Thirty-four saw their stock price decline during this period, and only 13 gained. Three companies had no change.

Wolohan Lumber released its sales and earnings for 1988 just prior to this period, and despite a strong performance in each, its stock fell 18.7 percent to $21.75 per share *(see other story)*.

Only three dealers' stocks showed increases. Interco, which reportedly has put its Central Hardware chain on the block, saw its stock price rise 3.7 percent to $3.50, as its stock was heavily traded. Scotty's stock rose 3.1 percent. And Sears, which provided details to the restructuring of its retail operations (*see page 174*) saw more than 63 million of its shares change hands over the two-week spread.

Among suppliers there were wide swings of performance and activity. A group comprised of real estate concern Fisher Bros., oil tycoon Gordon Getty and First Boston Co. made a $2.4 billion bid for Emhart on Feb. 23, prior to which Emhart's stock was extremely busy, and its stock price jumped 49.1 percent to $39.88 per share. On the other side of the coin, Clairson International, which had previously announced its intentions to sell off parts of its business, saw its stock price fall 34.6 percent to $4.50 per share.

Gainers 13

Unchanged 3

Losers 34

HOME CENTER MARKET SUMMARY

National Home Center News

Stock Market — Price: 2-Weeks Ended 2-24-89; 2-Weeks Change Amt., Pct.; 2-Week Range High, Low; 52-Week Range High, Low. Volume: 2-Weeks Shares Traded Total, % Out; 12-Week Avg. Vol. As % Out; Volume Trend Change. P/E Ratio. Indicated Divd. Rate Amt., Yld.

Financial Update — Latest Report: New Report, Period, Date Ended. Latest Quarter: Revenue Amt., Chg.; Net Income Amt., Chg.; E.P.S. Amt., Chg. Year-to-Date: Revenue Amt., Chg.; Net Income Amt., Chg.; E.P.S. Amt., Chg.

Company and Market	2-Weeks Ended 2-24-89	2-Weeks Change Amt.	2-Weeks Change Pct.	2-Week Range High	2-Week Range Low	52-Week Range High	52-Week Range Low	2-Weeks Shares Traded Total (100)	2-Weeks Shares Traded % Out	12-Week Avg. Vol. As % Out	Volume Trend Change	P/E Ratio	Indicated Divd. Rate Amt.	Indicated Divd. Rate Yld.	Latest Report New Report	Latest Report Period	Latest Report Date Ended	Latest Quarter Revenue Amt. $Mil	Latest Quarter Revenue Chg. %	Latest Quarter Net Income Amt. $Mil	Latest Quarter Net Income Chg. %	Latest Quarter E.P.S. Amt. $	Latest Quarter E.P.S. Chg. %	Year-to-Date Revenue Amt. $Mil	Year-to-Date Revenue Chg. %	Year-to-Date Net Income Amt. $Mil	Year-to-Date Net Income Chg. %	Year-to-Date E.P.S. Amt. $	Year-to-Date E.P.S. Chg. %
Retailers																													
Gen Bldg Prods M	4.00	- 1.00	- 20.0	5.00	4.00	6.50	3.00	464	1.16	.70	65.7	23.5	.00	.0	.....	9 mos.	08-88	21.9	11.2	.1	- 87.5	.02	- 89.5	56.5	14.1	.3	- 83.3	.07	- 85.4
Grossman's Inc M	8.13	- .38	- 4.4	8.50	8.13	8.50	4.88	24,293	9.30	3.68	152.7	16.3	.00	.0	.....	fiscal	12-88	285.8	10.9	.6	- 25.0	.02	NC	1141.6	6.0	13.2	9.1	.50	- 5.7
Hechinger A M	18.75	.13	.7	19.13	18.38	20.25	15.88	4,448	2.17	1.75	24.0	NA	.16	.9	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B M	18.50	- .13	- .7	19.25	18.25	20.00	15.75	77	.05	.12	- 58.3	14.9	.06	.3	.....	9 mos.	10-88	250.6	35.5	12.1	28.7	.32	18.5	773.5	39.7	36.0	23.3	.96	7.9
Home Depot N	33.00	.88	2.7	34.13	31.50	34.13	22.00	15,303	3.07	1.46	110.3	22.8	.12	.4	.....	9 mos.	10-88	509.9	40.0	17.1	76.3	.33	73.7	1474.7	36.6	57.9	52.0	1.13	39.5
Interco N	3.50	.13	3.7	3.88	3.25	3.88	2.88	58,767	16.24	NC	NC	NA	.00	.0	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
K mart Cp N	37.25	- .13	- .3	38.00	36.75	39.75	30.25	47,780	2.40	1.27	89.0	10.3	1.32	3.5	.....	9 mos.	10-88	6358.2	6.4	126.1	14.5	.63	16.7	18884.1	5.7	409.7	10.4	2.04	12.1
Lowe's Cos N	23.63	.38	1.6	24.50	23.00	24.50	18.75	5,452	1.47	.72	104.2	13.7	.48	2.0	.....	9 mos.	10-88	652.1	1.0	15.9	- 4.2	.42	.0	1947.3	.4	57.4	9.8	1.51	14.4
NHD Stores M	6.75	.00	.0	7.00	6.63	8.00	4.50	92	.68	.66	3.0	9.0	.00	.0	.....	9 mos.	10-88	12.3	15.0	.1	NE	.04	NE	37.3	12.7	.6	50.0	.43	38.7
Natl Lumber M	2.00	- .13	- 5.9	2.25	2.00	3.50	2.00	196	.35	.48	- 27.1	NE	.00	.0	.....	*	10-88	NC	NC	NC	NC	NC	NC	116.8	NC	- 2.6	NC	- .47	NC
Scotty's Inc N	12.63	.38	3.1	13.63	12.63	15.25	10.50	2,077	1.42	.71	100.0	43.5	.52	4.1	.....	6 mos.	12-88	141.0	5.6	2.5	.0	.16	- 5.9	269.0	4.6	- 2.0	- 100.0	- .14	- 100.0
Sears, Roebuck N	40.88	- .38	- .9	42.38	40.75	46.25	33.00	63,770	1.68	.90	86.7	17.0	2.00	4.9	NEW	fiscal	12-88	11761.0	- 16.3	16.4	- 97.1	- .46	- 100.0	50251.0	3.7	909.5	- 44.9	2.40	- 44.8
Std Brd Pnt N	14.25	- 1.13	- 7.3	15.75	14.13	18.50	10.63	3,321	5.81	3.93	47.8	NE	.00	.0	.....	9 mos.	10-88	80.5	2.2	1.3	- 69.8	.17	- 67.3	236.1	- .2	3.9	- 69.5	.50	- 67.7
Strober Organiz M	8.50	- .50	- 5.6	9.00	8.25	12.25	7.00	607	1.00	.37	170.3	11.6	.00	.0	.....	9 mos.	09-88	38.9	40.9	1.6	- 5.9	.26	- 3.7	105.4	40.2	3.4	- 20.9	.56	- 20.0
Wickes Cos N	7.63	- .13	- 1.6	7.88	7.63	14.13	6.50	2,027	.42	.57	- 26.3	5.2	.00	.0	.....	6 mos.	07-88	937.9	- 35.5	- 12.4	- 100.0	- .09	- 100.0	1866.0	37.7	- 15.0	- 100.0	.08	- 94.2
Wolohan Lumber M	21.75	- 5.00	- 18.7	26.75	21.75	27.00	12.38	4,158	7.11	3.02	135.4	11.3	.28	1.3	NEW	fiscal	12-88	64.3	13.2	2.8	3.7	.49	6.5	257.8	12.8	11.2	24.4	1.92	25.5
Zayre Corp N	24.38	- .88	- 3.5	25.88	24.25	27.13	18.63	14,728	2.62	2.37	10.5	NE	.40	1.6	.....	9 mos.	10-88	936.3	- 41.5	- 160.7	- 100.0	(2.87)	- 100.0	2530.5	- 41.2	- 178.2	- 100.0	(3.18)	- 100.0
Wholesalers																													
Hughes Supply N	17.88	- .38	- 2.1	18.50	17.75	19.44	16.50	454	.93	.42	121.4	9.0	.32	1.8	.....	9 mos.	10-88	131.7	16.3	2.5	.0	.51	4.1	376.3	18.3	7.1	6.0	1.46	9.8
Moore Handley M	3.75	- .13	- 3.2	4.00	3.75	5.00	3.75	204	.87	.24	262.5	NE	.20	5.3	.....	9 mos.	09-88	26.1	- 4.7	- .1	NE	- .06	NE	79.5	6.9	- .1	- 100.0	- .04	- 100.0
Manufacturers																													
Am Consum Prods M	9.75	- .50	- 4.9	10.25	9.75	12.50	9.41	48	.18	.15	20.0	14.6	.00	.0	.....	9 mos.	09-88	20.4	74.4	.5	- 16.7	.18	- 21.7	56.5	79.9	1.4	7.7	.53	6.0
Am Woodmark M	11.50	1.63	16.5	11.50	10.00	11.50	7.28	283	.38	.19	100.0	15.1	.00a	.0	.....	6 mos.	10-88	42.5	23.9	2.7	12.5	.36	- 2.7	79.4	20.1	4.5	21.6	.60	11.1
Armstrng Wrld N	38.25	2.13	5.9	39.75	35.88	44.00	31.75	23,799	5.15	1.72	199.4	10.9	1.00	2.6	.....	fiscal	12-88	706.9	16.8	34.6	3.3	.74	2.8	2680.3	13.3	162.7	8.2	3.51	10.4
Black & Decker N	23.13	- 1.13	- 4.6	25.13	22.75	25.25	17.13	23,955	4.10	2.16	89.8	13.1	.40	1.7	.....	3 mos.	12-88	705.5	15.2	38.4	23.5	.65	22.6	705.5	15.2	38.4	23.5	.65	22.6
Boise Cascade N	41.75	.63	1.5	43.13	41.13	50.00	39.25	11,747	2.61	1.71	52.6	6.6	1.40	3.4	NEW	fiscal	12-88	1034.8	6.1	76.4	33.6	1.70	41.7	4094.6	7.2	289.1	58.0	6.34	71.4
Catalina Lgtg A	12.00	- 1.25	- 9.4	13.38	11.75	13.88	3.00	1,752	5.56	3.07	81.1	26.1	.00	.0	NEW	3 mos.	12-88	9.0	83.7	.4	100.0	.12	71.4	9.0	83.7	.4	100.0	.12	71.4
Champ Intl N	33.50	- .25	- .7	34.63	33.25	38.13	29.50	20,152	2.12	1.56	35.9	7.0	1.10	3.3	.....	fiscal	12-88	1314.4	13.6	119.8	45.9	1.26	46.5	5128.5	11.1	456.4	19.5	4.80	19.1
Clairson Intl M	4.50	- 2.38	- 34.5	6.75	4.13	8.50	4.13	3,933	7.73	1.84	320.1	NE	.00	.0	.....	9 mos.	06-88	27.2	46.2	- 2.1	- 100.0	- .43	- 100.0	78.4	45.7	- 4.3	- 100.0	- .85	- 100.0
Coleman Co N	68.63	21.63	46.0	71.00	47.25	71.00	34.63	36,347	51.59	5.68	808.3	19.8	1.20	1.7	NEW	fiscal	12-88	141.0	6.1	1.8	- 5.3	.24	- 11.1	657.9	9.9	24.5	27.6	3.47	27.6
Cooper Indus N	55.00	- 3.25	- 5.6	58.38	54.88	62.75	50.13	10,491	2.06	1.12	83.9	12.5	2.00	3.6	.....	fiscal	12-88	1193.3	18.3	74.7	32.4	1.47	31.3	4258.3	18.8	224.4	29.1	4.41	27.1
DeSoto Inc N	48.25	.38	.8	49.25	45.00	50.00	28.25	5,933	14.79	5.93	149.4	61.1	1.40	2.9	.....	fiscal	12-88	86.0	31.0	- .1	NE	- .03	NE	402.5	7.9	3.2	- 69.8	.79	- 70.3
Emhart Corp N	39.88	13.13	49.1	40.25	26.75	40.25	18.88	132,060	21.31	3.18	570.1	19.7	.88	2.2	.....	fiscal	12-88	722.7	8.7	32.9	24.6	.52	23.8	2762.0	12.5	126.0	18.3	2.02	18.8
Georgia Pacific N	40.13	.13	.3	41.38	39.25	42.88	33.25	17,025	1.78	1.22	45.9	8.4	1.40	3.5	.....	fiscal	12-88	2567.0	15.2	129.0	15.2	1.35	26.2	9509.0	10.5	467.0	2.0	4.76	12.5
La Pacific N	30.88	- .88	- 2.8	32.25	30.75	37.50	26.00	6,248	1.62	1.05	54.3	7.7	.92	3.0	.....	fiscal	12-88	448.3	- 6.2	31.2	- .3	.83	1.2	1799.4	- 6.4	153.6	22.9	4.02	22.9
Macmillan Bloedel M	15.50	- 1.00	- 6.1	16.38	15.38	17.38	13.88	6,850	.67	.27	148.1	NA	.80	NA	NEW	fiscal	12-88	801.1	1.2	73.2	16.4	.68	19.3	3273.5	4.4	329.8	17.5	3.08	20.3
Masco Corp N	25.63	- .75	- 2.8	27.25	25.50	30.38	23.63	24,194	1.76	1.14	54.4	12.2	.48	1.9	NEW	fiscal	12-88	609.6	12.2	49.3	60.1	.36	56.5	2438.6	20.5	288.3	31.8	2.10	27.3
Mor-Flo Inds M	5.38	.00	.0	5.75	5.38	6.50	4.50	48	.19	.29	- 34.5	NE	.01	.2	.....	9 mos.	09-88	52.5	6.9	- 1.9	NE	- .73	NE	162.0	4.9	- 5.8	NE	(2.29)	NE
Newell Co N	29.75	- .38	- 1.2	30.38	28.88	30.75	17.88	4,019	1.73	1.50	15.3	13.6	.76b	2.6	.....	fiscal	12-88	253.7	- 16.8	21.2	58.2	.78	62.5	988.2	37.3	61.4	65.1	2.18	58.0
Nortek Inc N	8.75	.38	4.5	9.13	8.25	10.38	6.38	3,930	2.63	1.58	66.5	NE	.10	1.1	.....	9 mos.	09-88	343.0	- 2.7	4.8	2300.0	.32	3100.0	1049.0	7.5	16.3	43.0	1.10	54.9
Owens Corn N	28.00	- .38	- 1.3	29.88	27.38	29.88	18.00	11,302	2.83	1.81	56.4	5.9	.00	.0	.....	fiscal	12-88	704.0	NC	58.0	NC	1.37	NC	2831.0	- 2.1	197.0	- 10.5	4.71	- 11.1
Ply-Gem A	12.50	- 1.13	- 8.3	13.50	12.50	15.63	11.38	2,610	2.42	.90	168.9	12.9	.12	1.0	.....	9 mos.	09-88	102.5	22.0	4.1	20.6	.36	20.0	298.0	25.9	13.8	31.4	1.22	34.1
Pope & Talbot N	19.38	- .63	- 3.1	20.38	19.38	23.00	16.13	1,696	1.42	.88	61.4	7.2	.60	3.1	.....	fiscal	12-88	154.0	44.2	8.6	19.4	.73	23.7	515.0	20.6	31.9	13.5	2.68	15.0
Pottatch Cp N	32.63	- 1.75	- 5.1	34.63	32.63	35.38	27.25	2,519	.94	.51	84.3	8.1	1.04	3.2	.....	fiscal	12-88	285.4	12.9	33.1	32.9	1.19	33.7	1084.1	9.3	112.4	28.3	4.04	29.1
PPG Inds N	42.50	- 1.00	- 2.3	43.50	42.38	46.88	36.25	12,628	1.15	.74	55.4	10.0	1.36	3.2	.....	fiscal	12-88	1431.7	7.8	102.3	6.0	.94	10.6	5616.7	8.4	467.6	24.0	4.26	33.5
Rep Gypsum N	5.00	.00	.0	5.13	4.63	6.88	4.25	275	.27	.33	- 18.2	23.8	.20	4.0	.....	6 mos.	12-88	13.3	- 8.3	.9	12.5	.09	12.5	25.6	- 6.6	1.3	8.3	.13	8.3
Sherwin-Wms N	26.13	- .13	- .5	27.25	26.00	31.63	24.00	7,504	1.72	1.02	68.6	11.4	.70	2.7	.....	fiscal	12-88	449.5	10.1	18.6	- 8.4	.43	- 6.5	1950.5	8.8	101.0	4.6	2.30	7.0
Stanley Works N	28.88	- 1.75	- 5.7	30.63	28.75	31.75	24.00	8,999	2.10	.92	128.3	12.0	.96	3.3	.....	fiscal	12-88	486.2	6.0	30.4	16.0	.71	16.4	1909.0	8.3	103.5	19.5	2.40	20.0
Thos Inds N	19.00	- 1.00	- 5.0	20.13	19.00	23.31	18.25	1,058	1.04	.51	103.9	11.7	.72b	3.8	NEW	fiscal	12-88	85.6	6.3	3.9	- 18.8	.37	- 17.8	347.6	8.0	17.7	3.5	1.62	3.8
Union Camp N	35.75	- .25	- .7	36.88	35.75	38.38	31.00	11,276	1.64	1.14	43.9	8.4	1.24	3.5	.....	fiscal	12-88	685.6	12.4	78.5	33.1	1.14	40.7	2660.9	15.3	295.2	42.3	4.25	50.2
USG N	6.13	- .75	- 10.9	7.00	6.00	7.75	4.75	9,102	1.75	1.69	3.6	2.6	.00	.0	.....	fiscal	12-88	540.0	- 25.6	42.6	147.7	.79	139.4	2248.0	- 22.4	125.5	- 38.6	2.38	- 39.9
Waxman Ind M	8.00	- .75	- 8.6	8.63	7.75	12.25	7.09	6,681	7.24	1.78	306.7	10.4	.10	1.3	.....	6 mos.	12-88	48.0	26.0	1.7	13.3	.18	12.5	98.0	34.4	3.3	17.9	.36	20.0
Weyerhaeuser N	25.50	- 1.00	- 3.8	27.13	25.25	29.50	23.25	33,057	1.62	1.18	37.3	9.5	1.20	4.7	.....	fiscal	12-88	2560.0	43.5	154.8	19.6	.73	19.7	8470.1	21.2	564.4	26.4	2.68	26.4

All Data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share

Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

In reorganization, Scotty's expands L&G department

(Continued from page 1)
near completion. However, the formation of the company, what it plans to sell and what markets it wants to serve are still in the planning stages, according to Martineau.

"Right now, we're five partners with a lot of ideas," said Martineau in a phone interview with *NHCN*. "We'll have a better handle on what the company's going to look like in 60 to 90 days. Until then, we're taking a pretty low profile."

The 37-year-old Martineau, who had been promoted to his most recent positions at Scotty's only last November, left the company unceremoniously last month. He declined to comment on the reasons behind his sudden departure. Scotty's officials could not be reached for comment about Martineau's replacement.

L&G departments expand

While the executive musical chairs continue at the 163-unit chain, Scotty's operational restructuring proceeds. The company is now carrying live plants on a regular basis for the first time in what appears to be a major expansion of the chain's lawn and garden departments.

A store in Cocoa, Fla., a former Montgomery Ward that had its grand opening Feb. 2, is believed to be particularly strong in that area and to reflect some of Scotty's new merchandising thinking. Corporate officials were unavailable for comment.

Workers were expanding the outside sales area of at least one Scotty's store in Orlando, Fla., in mid-winter. Also, store managers statewide reported at the end of January that their lawn and garden departments had already been revamped or plans were underway to do so.

All sources said it appears to be a chainwide expansion.

Executives were not available to comment on the changes, but store-level personnel left no doubt such an effort is underway. One store manager said, "Scotty's is going whole-hog into the live plant market. There's no real secret what they're trying to do." He went on to say a 12x47-foot area had been added to the lawn and garden department outside his store.

One Orlando-area store reported its outdoor lawn and garden area doubled in size at the end of January and beginning of February. The store also reported that more new products, such as a wider variety of fertilizers, will soon be added to the store's offerings.

The chain did carry these products during holidays such as Mother's Day, but this will mark the first time they will be offered year-round.

Larger Scotty's stores will carry indoor and outdoor live plants and silk plants, while the smaller units will only stock landscaping plants.

Rebuilt UBC unit increases display space

(Continued from page 6)
"We had merchandise—like unfinished furniture—for five years, but people couldn't see it. We had to take people out in the yard and open a box to show them. That takes manpower." Now a side wall display on the showroom floor highlights UBC's once hidden shingle and siding offerings. Unfinished furniture is now in a center aisle.

An old 12-foot run of products, which served since 1977 as kitchen and bath models, was replaced by designer-look, higher-ticket vignettes.

Abbott, a 24-year veteran with UBC, said the changeover produced as many kitchen and bath sales in the first 25 days of 1989 as were generated in all of 1988.

Now two new hires are necessary to handle the new consumer demand. In May, to coincide with the grand opening, the Boone store will open on Sunday for the first time.

"We're going to be open when people want to shop. We're here when they want to be here," said Abbott. He would like to reverse the current 60/40 contractor to DIY sales ratio.

Abbott's effort is part of an overall remodeling program that has been enacted by UBC in 25 percent of its units, according to Robert Drum, president of the 102-unit, Winona, Minn., chain.

The moves come as UBC units like Abbott's encounter more competition. In Boone, small, regional chains like S. Hanson Lumber and Schoenemann Building Materials are taking on new merchandising programs to attract the DIY market. Still, sales tax reports show the UBC unit holding onto a strong 25 percent of the building materials sales in the county.

While the Boone UBC is some 45 miles from the heavily DIY, price-sensitive Menards' in Des Moines, that's where Abbott feels the competition is coming from. And as Des Moines retailers are going after the home building business, Abbott fights back.

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Vol. 15, No. 5 March 13, 1989

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Vol. 15, No. 6 $3 a copy The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. March 27, 1989

Rising rates squeeze debt-laden companies

A billion here, a billion there. Pretty soon, you're talking about real money.
—the late Sen. Everett Dirksen.

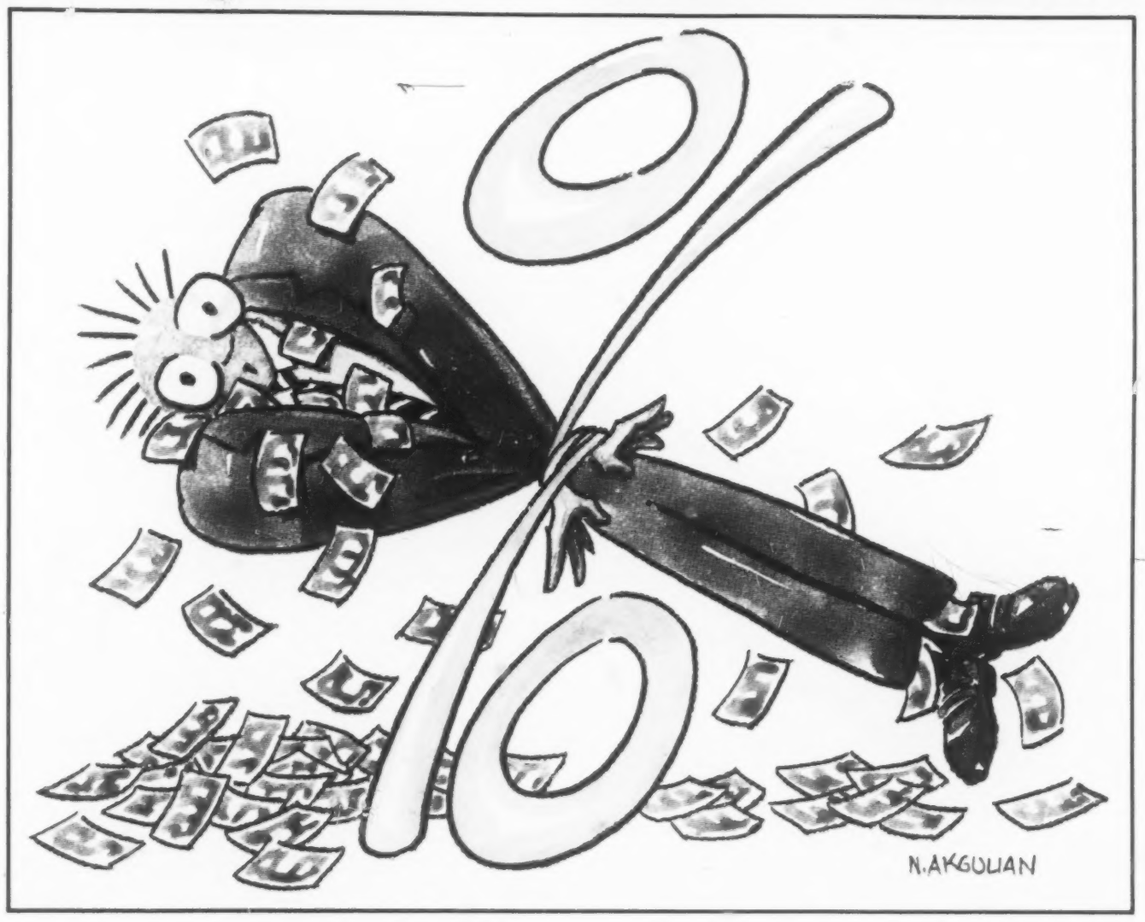
By Gary S. Ruderman

News Analysis

NATIONAL REPORT — Even with all the Congressional attention over the last 90 days over mergers, leveraged buyouts and corporate debt, the latest announcement of a buyout of The O'Malley Cos. shows that the industry preference for taking on corporate debt is still in vogue.

Management-led LBOs at Payless Cashways, Wickes Lumber, Sequoia Supply, Pay 'N Pak, Channel Home Centers and others have contributed to the $400 billion in total U.S. new LBO-related corporate debt in the last seven years. Now, after recent interest rate hikes, many wonder whether coming deals might be affected.

(Continued on page 69)



O'Malleys latest to join ranks of leveraged firms

By Brad Altman

PHOENIX — The O'Malley Cos. has signed a letter of intent to sell the building materials company for an estimated $22 million to two long-time employees—a father and his son—and a holding company active in the specialty construction business.

Duncan Hossack, 37, executive vp-operations, and his father, Don, 61, assistant gm of the 10-unit retail division, have mounted the leveraged buyout with equity backing from Phoenix-based United Building Services Corp.

The proposed LBO transaction comes four months after the 81-year-old, family-run company announced sweeping organizational changes for its retail, wholesale, and manufacturing divisions.

"It is our intent to continue to operate the company and carry on," said Duncan Hossack, adding that the transaction is scheduled to be completed by late May.

United Building Services is investing $3 million to $4 million in equity. The remaining money will be obtained through "institutional debt," said Rick Levinger, investment banking director for Forbes & Co., a Phoenix investment banking firm that will handle the financing.

Although United Building Services has "made acquisitions in the past, this will be the largest to date," said Lloyd M. Claycomb II, ceo of United Building Services.

(Continued on page 69)

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Euro-style cabinets remain strong, but not in all markets 45

HWI helps members in going head to head with Wal-Mart

By an NHCN staff editor

Regional Outlook

WILLOWBROOK, Ill. — Instead of running scared when Wal-Mart opened out on the highway, Jim Kottmeier opened a new home center across the street to meet the competition.

"We took advantage of the traffic situation," explained Kottmeier, owner of five home centers in Festus, Mo., south of St. Louis. "That was the basis of our opening there."

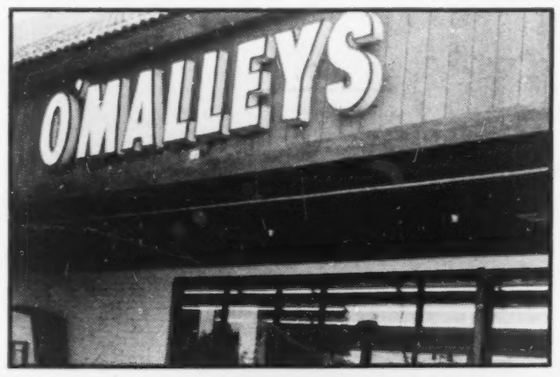
That was one of the examples more than 100 independent home center dealers heard over the last 30 days in what appears to be in the industry's first seminar at how to succeed head-to-head with Sam Walton's $20.6 billion Wal-Mart empire. Kottmeier, a Hardware Wholesalers, Inc. (HWI) member, joined 34 other HWI dealers in a recent Midwest seminar on Wal-Mart.

In February, HWI started its cycle of executive meetings that were scheduled to be held in 38 different cities. And this year, according to executive vp Mike McClelland, the focal topic will be an in-depth look at how Wal-Mart enters and competes in markets.

Peaceful co-existence

A picture of Sam Walton in a baseball cap appears on the screen. "This is the driving force behind Wal-Mart," explains Jim Mills, western division manager of HWI, who conducted the Willowbrook seminar. "He's the chairman of the board and he still spends four days a week in the stores. He's passed on his work ethic to the stores.

(Continued on page 70)



When it comes to paint brands, some would rather switch than fight

By Brad Altman

Merchandising

NATIONAL REPORT — Competition in the DIY paint category has become so fierce that at least one manufacturer is retreating from the retail home improvement marketplace.

Pittsburgh Paint (PPG) is gently shying away from DIY retailing, described as "a brutal market" by the company's marketing director, Mike O'Malley.

Rickel Home Centers, based in South Plainfield, N.J., recently eliminated Pittsburgh Paint from its merchandise mix.

A Rickel merchandise manager, who asked not to be identified, said Rickel "had Pittsburgh for years, but the market got to be competitive" and the paint maker was overpriced.

(Continued on page 16)

NEWSBREAKS

INDUSTRY SALES EXCEED $78 BILLION IN 1988: The U.S. Commerce Department reports that retail volume in building supply stores, hardware stores and home centers rose 8.9 percent over 1987 totals. Retail hardware store sales increased by 8.5 percent, while building materials and supply units' volume jumped 9 percent to $57.9 billion.

HOME DEPOT HITS $2 BILLION (ALMOST): The Atlanta-based chain ended 1988 with $1,999,514,000 in sales, a 37.6 percent boost over 1987. Its annual earnings rose 41.9 percent to $76,753,000.

INDUSTRY UPDATE

Wickes searches for retail buyer

SANTA MONICA, Calif. — The new owners of Wickes Cos. continue to look for buyers for Builders Emporium, Orchard Supply Hardware and Wickes Furniture, but don't expect to finalize the retail business sell-off until mid-year.

Meanwhile, the investment partnership that bought Wickes last December said it has received $400 million from the sale of nine businesses as part of its effort to focus Wickes primarily on manufacturing operations.

Wasserstein, Perella & Co. and Blackstone Group acquired the Wickes conglomerate for $538.9 million and subsequently split the company into three operating groups: Industrial, Textile and Hosiery.

"We now move to phase two of our reorganization," Robert McKeon, co-chairman of Wickes, said in a statement. "In this phase we will be seriously looking at the sale of Wickes' retail group" [*NHCN*, Feb. 13, 1989].

As many as nine groups considered buying BE, but formal bids were submitted by only a handful of candidates, a source said. One bid for BE reportedly was made March 9 by American Business Ventures, a Long Beach, Calif.-based group consisting of ex-HomeClub executives Robert McNulty and George Handgis, along with ex-W. R. Grace executive Tom Klimback.

A group headed by former Wickes' ceo Sanford Sigoloff and real estate developer Alexander Haagen reportedly dropped out before mounting a formal bid, a source said. Haagen did not return *NHCN* calls by press time.

More Home Depot inroads in NE

ATLANTA — The Home Depot opened its North Haven, Conn., store on March 2, as the company continues its big push into the Northeast.

This began with the opening of an East Hanover, N.J., unit last month and Home Depot expects to have between five and eight stores open by the end of its 1989 fiscal year in the New York-New Jersey-Connecticut region.

"We anticipate having as many as 50 to 75 stores in this region within the next several years," said Arthur Blank, president and chief operating officer. "We intend to be a very dominant retailer in this market."

Long Island, N.Y., is one of its target markets, where it recently purchased three units from Modells, a sporting goods retailer.

"In particular, the density of homes in the Northeast, together with the significant upkeep they require and the high cost of outside labor, present one of the most promising markets for our company anywhere in the U.S.," Blank said.

The North Haven unit brings Home Depot's total store count to 97 units.

Execs change at HQ Warehouse

VIRGINIA BEACH, Va. — Home Quarters Warehouse, the 11-unit subsidiary of Hechinger, has switched some of its management around.

Michael Good is now the warehouse chain's controller. He previously was assistant controller. Thomas Patterson and Michael Pastore, two merchandisers, have been promoted to vp-divisional merchandise manager posts. And Wayne Chisom, formerly merchandise director at Payless Cashways, is now HQ's merchandiser in the bath, kitchens and flooring categories.

Ernst replaces broadcast agency

SEATTLE — Ernst Home & Nursery has dropped Kenneth C. Smith & Associates, the La Jolla, Calif.-based advertising firm that has handled its broadcast account since last July, and replaced it with a Seattle firm, McCann-Erickson/Seattle.

Ernst's broadcast account is an estimated $3 million annually. Ernst currently uses McCann-Erickson for its direct marketing efforts. In May 1988, Stanton Bondo & Co. of Seattle resigned the Ernst account after three years.

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'Notice of Sale' signs posted as Wyeth Co. struggles to remain in business

By Gary S. Ruderman

ST. JOSEPH, Mo. — On April 12, a number of buildings, pieces of history, bits of legend and possibly an African lion owned by Wyeth Co., the troubled wholesaler, should be sold to the highest bidder on the steps of the Buchanan County Courthouse here. That is, barring last minute settlements, sales or legal protection from creditors.

It is old news that the Wyeth Co., the legendary supplier to the Pony Express, gold rush prospectors and Oregon Trail settlers, is financially besieged. Since an ill-fated venture into Texas and Oklahoma in 1984 and the failure of the company's long-time prime lender in 1985, Wyeth has struggled.

So a judgment against the Wyeth Co. came as no surprise. What did come as a surprise was the deputy sheriff posting "Notice of Sale" signs on most of the company's buildings in downtown St. Joseph, Mo., late in February.

"It means nothing but a play to disrupt our business and I doubt it could do that," said president Max Wyeth, who is fighting to sell the business.

Wyeth's customer base has shrunk to 1,000 "statements," according to Max Wyeth. The 450-store Trustworthy program it once had is down to 127 stores (part of Liberty Distributors' Trustworthy program). Wyeth closed one Trustworthy store it owned and is selling another. Sales at the privately held Wyeth are down from $50 million three years ago to a report-

(Continued on page 69)

HomeClub targets Utah with two new outlets in Murray and Salt Lake City

By an NHCN staff editor

FULLERTON, Calif. — Utah will be the ninth Western U.S. state to have a HomeClub when the warehouse chain headquartered here holds a March 30 grand opening in Murray, to be followed early this summer by a second HomeClub in Salt Lake City.

The Murray outlet will consist of a 111,067-square-foot warehouse and a 9,880-square-foot nursery. The Salt Lake City location will consist of a 103,909-square-foot warehouse and a 11,200-square-foot nursery.

HomeClub currently has 48 locations in California, Nevada, Arizona, Idaho, New Mexico, Texas, Washington and Colorado.

In a related development, a spokesman for Zayre Corp. said its restructuring move involving the spin off of its warehouse chains [HomeClub and BJ's Wholesale Club] into a new company is scheduled to take place "after March 21 and before June 21."

"All the pieces that need to fall in place to get the deal moving forward have been falling in place," said Steven Wishner, vp-treasurer, Zayre Corp.

The newly formed company, which has not been named, will be headed by president and ceo John Levy, formerly group officer in charge of the warehouse clubs division. Former HomeClub president Herb Zarkin will be involved in an unnamed "senior capacity," Wishner said. "He will be working closely with John."

Separately, Zayre and its TJX Cos. subsidiary consisting of TJ Maxx, Hit or Miss and Chadwick's of Boston, completed a previously announced merger on March 1, and Zayre will change its name to the TJX Cos. at its annual stockholder's meeting.

Son of ad tax rears its head in Connecticut, retailers protest

By an NHCN staff editor

NATIONAL REPORT — Legislative initiatives in Connecticut, South Dakota and Oregon to raise revenues by taxing advertising have been blasted by a representative of the building materials industry.

Joseph J. Doherty, vp-marketing communications at the Toledo, Ohio-based Owens-Corning Fiberglas and chairman of the board of the Association of National Advertisers, told *NHCN* that the controversial Connecticut ad-tax bill appears virtually identical to a measure passed and then repealed in Florida two years ago.

"The bill is somewhat broader than Florida's, but it is the same type of issue," Doherty said. "The tax is really disastrous for the state of Connecticut."

He said that a legislative committee in Connecticut heard testimony from 61 individuals on March 8 and "all 61 were against it, including the AFL-CIO."

The Connecticut proposal would extend the state's 7.5 percent sales tax to state and national advertising.

"I don't think they [state legislative bodies] understand the type of mechanism they would have to put in place to collect the tax," Doherty said.

The Connecticut Taxation, Finance & Bonding Committee, which has jurisdiction over the bill, estimates the bill would bring in $135 million annually, Doherty said.

"Nobody knows quite how they got that number," he added. "There was no indication how they would collect that tax, or how much of that money would flee the state [if the measure is approved].

"The local retailers in Connecticut should absolutely write their local state assemblyman and let them know this has the potential of hurting them and their business and decreasing revenues," Doherty said.

At least some retailers may be slow to respond to Doherty's battle cry. *NHCN* telephoned a Danbury, Conn.-based DIY dealer as well as a New York wholesaler that supplies that state and executives with both companies said they didn't know enough about the controversy to state an opinion.

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Buying & Selling *lumber report*

Owl reserve and rise in exports force plywood prices up in South and West

What do the spotted owl and Roseburg Forest Products have in common? They are parts of the equation that makes Gordon King think Americans will be paying double today's cost for a home soon.

Gordon King, president of the Hampton Lumber Mill in Portland, Ore., says he's not given to dramatics. "Remember what happened with OPEC and gas prices in the 1970s?" King asked. "It's gonna happen with lumber." King's voice is flat.

First about the owl, environmentalists and exports. In Oregon, for example, the state and federal government own 70 percent of the timberland available for harvest. The rest is privately owned. On Feb. 27, the state forestry department there said there would be no sales of government trees in March. They are leery of adding to the stack of 400 lawsuits already filed attempting to halt lumber sales from government forests.

Such suits precipitated the planned closing of 374,000 acres of prime timberland in Oregon, Washington and northern California, according to the *Seattle Times*. The land is planned as a reserve for the spotted owl.

Gary S. Ruderman
NHCN Senior Editor

Fewer sources of logs complicate the process of lumber production. Mills used to sign contracts as far out as 2½ years to buy logs. This lead time allowed mills to coordinate shipments from as many as 15 logging locations and plan production and manpower needs. Today, with the scrambling for *any* logs, the contracting time has slipped to under a year. With fewer logs, and what some concede are inefficiencies in many operations, the result has been the shuttering of 33 different mills in the last three months, King reports.

At the same time exports have soared. By law these export logs cannot come from federal lands, so this timber comes from private or domestic supply. Through the first nine months of 1988, exports—nearly 60 percent of which went to Japan—were up 31.1 percent to 1.5 billion board feet, according to *Crow's*. And, according to the U.S. Department of Agriculture, the predominant export species was Douglas Fir. Which brings us to Roseburg Forest Products, Roseburg, Ore.

In addition to its dimensional lumber, Roseburg's sanded plywood, particleboard and plywood siding were considered to account for between 30 percent and 40 percent of the Western fir production. Fir, according to retailers, is preferred by contractors.

Then Roseburg's 4,300 unionized workers went on strike Jan. 11 and sanded plywood prices shot straight up. The cost of ¾-inch AC western plywood topped a 10-year high, up $48 in 45 days, to settle at $515 per thousand board feet in February at the mill and $600 delivered in a carload basis.

Southern yellow pine producers reacted. The price of bellwether ¾-inch AC rose $12 to wholesalers. The important ¾-inch concrete form sanded rose in price from $398 in mid-February to $487 on March 1. Wholesalers took the price hikes, but some report shipping sanded lines some $20 below current replacement cost. Retailers are reticent to say they've passed on the hikes but a $24 sheet of AC out of the Southern markets could reach $30 this week, one said.

Then Weyerhaeuser's plywood plant at Snoqualmie burned down Feb. 5, taking out another 2 percent of the western ply availability. While the Roseburg strike may be settled, the Snoqualmie plant won't come back.

It all adds up to this. Prices for Western and Southern panels are at an all-time high, meaning they're meeting the classic formula of decreasing supply and increasing demand.

Could you imagine contractors' trucks lined up and down the street waiting to load lumber the way we waited for gas back in 1973?

—Gary S. Ruderman

Trends and Forecasts: Lumber and Wood Products

VALUE OF INDUSTRY SHIPMENTS
(in millions of dollars)

Item	*1985*	*1986*	*1987**	*1988***	*1989****	*% Change 88-89*
Saw/Planing	12,974	14,953	16,882	17,706	17,340	−2.1
Hardwood Floors	1,392	1,503	1,710	1,814	1,849	1.9
Millwork	6,813	7,749	8,432	9,024	n.a.	n.a.
Hardwood Plywood	1,510	1,585	1,570	1,564	n.a.	n.a.
Softwood Plywood	4,091	4,401	4,805	4,545	n.a.	n.a.
Particleboard	980	1,196	1,342	1,398	n.a.	n.a.
Wood Preserving	1,684	1,774	1,874	1,979	n.a.	n.a.

Source: U.S. Department of Commerce: Bureau of Census, Bureau of Economic Analysis, International Trade Administration
* Estimated except for exports and imports
**Estimated
*** Forecast

NHCN chart

The Commerce Department states that future sales of lumber and related products will be spurred on by home improvement projects, which currently account for 30 percent of lumber demand.

Business Watch

Section 4

Retail prospects for lighting products will dim slightly

By an NHCN staff editor

WASHINGTON — The retail sale of lighting products, which was strong in the early 1980s, will continue to shine in 1989 but not nearly as brightly, according to predictions by the U.S. Commerce Department.

In a recent study on the outlook for U.S. industry this year, government economists forecast continued gains in the shipment value of lighting equipment and accessories, but at a rate well below growth levels earlier in the decade and slightly less than estimates for 1988. Moreover, forecasters expect product shipments of lighting products used in residences (*e.g.* those sold in home centers) to decrease in value by $10 million this year.

"The 1989 outlook for lighting fixtures will directly depend upon levels of new construction activity and of modernization and refitting," Commerce Department forecasters said.

Based on current projections for housing starts and home improvement activity, economists expect the industry's shipment value to increase by 1.3 percent in 1989, reaching $6.4 billion.

Shipment value was up 2.4 percent from 1987 to 1988—about $150 million—to an estimated $6.3 billion.

Residential product shipment value rose $73 million from 1987 to 1988 to more than $1.7 billion compared to the $10 million decrease predicted for 1989. Last year's was substantially higher than the $34 million rise in shipments of lighting products for use in commercial construction.

"Reflecting the long-term construction forecast, the demand for lighting fixtures and accessories should grow at only a modest rate during the long term," forecasters said. At the same time, "amounts invested in replacing and modernizing structures should be large and should affect sales of lighting products favorably," they said.

"The renovation market has grown rapidly during the 1980s and seems likely to run stronger than new construction for several years to come."

In other words, the accuracy of the Commerce Department forecast and its impact on home center retailers will "directly depend" on levels of new construction activity and modernization and retrofitting. According to the report, "two-thirds of the lighting products business comes from new construction, 22 percent from modernization and about 11 percent from maintenance and repair."

The Department also forecast declines in the value of shipments of electrical, current-carrying wiring devices (*e.g.* lampholders, power outlets, switches, dimmers) and of non-current-carrying wiring devices such as electrical conduits and fittings and boxes for outlets.

After adjusting for inflation, economists predicted a 3 percent decline in value of shipments of non-current-wiring goods and a 1.5 percent drop in current-carrying device value in 1989. Shipment value of all wiring equipment will stay slightly above $5 billion after inflation, they said. From 1990 through 1993, the picture should improve, based on forecasts for a "modest" compound annual growth rate of 1 percent to 2 percent.

Trends and Forecasts: Electric Lighting & Wiring Equipment

VALUE OF INDUSTRY SHIPMENTS
(in millions of 1982 dollars)

	1985	1986	1987*	1988**	1989***	% Change 88-89
Wiring Devices, Current Carrying	3,191	3,125	3,089	3,043	2,997	−1.5
Wiring Goods, Non-Current	2,230	2,208	2,142	2,099	2,036	−3.0
Lighting Fixtures	4,869	5,176	5,294	5,305	5,209	−1.8

Source: U.S. Department of Commerce: Bureau of Census, Bureau of Economic Analysis, International Trade Administration
*Estimated except for export and import
** Estimated
*** Forecast
ALL FIGURES IN 1982 DOLLARS

NHCN chart

Paint sales to grow despite weaker housing market

By an NHCN staff editor

WASHINGTON — The paint industry managed a significant recovery in 1988, returning to the comfortable growth patterns of the early 1980s after experiencing a substantial decrease in shipment value last year.

In a recent study, the U.S. Commerce Department estimated that the value of paint industry shipments rose to $11.8 billion last year, an increase of 6.4 percent over the previous year. The figures were particularly notable since paint sales had fallen 5 percent in 1987, barely topping $11.1 billion.

Moreover, economists reported that much of the decline in 1987 reflected lower demand for architectural coatings, which include paints distributed by home centers. These architectural paints accounted for 41.4 percent of total shipments.

The 1987 drop in paint shipment value represented a major fluctuation in the fairly steady increases in paint sales for more than a decade. For example, value of shipments for paints and allied coatings increased at a compound annual rate of 8.3 percent between 1972 and 1986. When measured over the five years from 1981 to 1986, the compound annual increase was still more than 5 percent.

Despite predicted drops in housing starts again in 1989, Commerce Department economists forecast that shipment value will continue to increase this year and beyond at an average annual rate of 3 percent to 6 percent, not counting inflation. Specifically, they predicted that value of paint shipments will top $12 billion in 1989.

According to the study, more than 1,170 U.S.-based companies manufacture paint and allied coatings. This "fragmented nature of the manufacturing base" makes a strong impact on the industry's competitiveness, economists said.

However, they predict that in future years, restructuring of the U.S. industry will result "as firms without the resources for aggressive research and development are acquired by large, better financed competitors."

In addition, foreign firms will continue to acquire significant shares of domestic companies as long as the dollar remains weak, they said.

According to the study, as in 1988, the paint industry will face market pressure from substitute materials such as vinyl siding, interior wall coverings, wood paneling and glass. Additionally, it faces ongoing impact from tightening environmental rules such as "allowable levels of toxicity in emissions."

Commerce economists predicted an even larger increase in the value of adhesives and sealants shipments this year than for the paint sector.

While the estimated increase for 1988—5.2 percent—did not match the 6.4 percent increase in paint sales last year, forecasters expect adhesive industry shipments to rise more than 6 percent this year (compared to 2.1 percent predicted for paints).

Although the forecast calls for continuing healthy expansion, the anticipated gains are somewhat smaller than the compound annual increases experienced over the past 15 or more years. For example, from 1972-1986, the compound annual increase for adhesive shipments averaged 10.7 percent. During the five years from 1981-1986, the compound yearly average was 7.2 percent.

Total value of adhesives and sealants shipments rose from $3.8 billion in 1986 to just above $4 billion according to 1988 estimates. Shipment value is expected to exceed $4.3 billion this year.

Unfortunately for home center retailers, economists anticipate that much of the demand will be related to "specialized uses" such as aerospace products. "Demand from other markets, such as construction and capital goods, is expected to fluctuate in response to variations in interest rates," they said.

Trends and Forecasts: Coatings and Adhesives

VALUE OF INDUSTRY SHIPMENTS
(in millions of dollars except as noted)

	1985	1986	1987*	1988**	1989***	% Change 88-89
Paint	11,562	11,725	11,140	11,850	12,100	2.1
Adhesives	3,672	3,838	3,870	4,070	4,320	6.1

Source: U.S. Department of Commerce: Bureau of Census, Bureau of Economic Analysis, International Trade Administration
* Estimated except for exports and imports
** Estimated
*** Forecast

NHCN chart

Repair and remodeling will help lumber industry weather 1989

By an NHCN staff editor

WASHINGTON — Remodeling and repair activities will get the lumber industry through a rocky 1989 and provide slim margins of growth in wood and wood product shipments through 1993, according to the latest Commerce Department forecasts.

"Home improvements currently account for approximately 30 percent of the overall demand for lumber, and the industry is enthusiastically pursuing this market," Commerce Department economists said.

According to the study, continuing high levels of home improvement activity—"fostered by relatively low interest rates and spreading availability of home equity credit and traditional second mortgages"—are expected to continue into the early 1990s.

Despite these rosy predictions, the demand for lumber for home improvement activities will not be able to offset the impact of a sluggish new-home market in 1989. Forecasters predict that housing starts will decrease to 1.4 million units this year and will likely remain below 1.5 million during the next few years.

The dropoff in new housing construction will trigger a 2.1 percent decrease in the value of shipments by sawmills and planing mills, according to predictions. In contrast, lumber sales increased an estimated 4.9 percent in 1988 to $17.7 billion.

Described as a "slight downturn in sawmill and planing industry shipments" by government economists, the decrease nevertheless represents a significant change from the compound annual increase of 6.1 percent

(Continued on page 58)

Business Watch

stocks

End-of-year surge helps Lowe's income grow at record rate

By an NHCN staff editor

NORTH WILKESBORO, N.C. — Lowe's Cos., the home center industry's largest chain with 296 stores, weathered a so-so sales year in 1988 and saw its net income increase 13 percent to a record $69.2 million. Earnings per share were up 19 percent, to $1.83.

In the 12 months ended Jan. 31, 1989, Lowe's sales rose 3 percent to $2.52 billion, which also represented a record for the chain. Same-store sales for the year increased at the same percentage rate.

End-of-year boost

Fifty-nine percent of the chain's sales came from retail transactions, which were up 8 percent for the year. Contractor sales, however, were off 3 percent.

Lowe's benefited from a very strong fourth quarter, during which its sales jumped 13 percent, to $569.6 million. And net income skyrocketed to $11.8 million during the quarter, from $648,000 during the same period a year ago.

Retail sales grew at a 16 percent clip, and contractor business was upped by 9 percent during the last quarter.

The company reported that it ended the year with nearly 5.1 million square feet of retail space. In fiscal 1988, it opened seven new stores, retrofitted 18 others, relocated eight and closed six.

The company also announced plans to to buy $6 million of its stock on the open market by Oct. 15, 1989, to be used to fund the balance of its contribution to its Employee Stock Ownership Plan for this fiscal year.

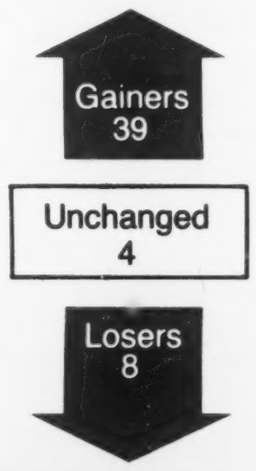
Stocks show modest rebound

After a bruising two weeks in the middle of February, industry stock did better during the reporting period ending March 10. Of the 51 stocks tracked for *NHCN* by Media General, 39 showed gains, four remained unchanged and only eight posted losses.

Among retailers, most gains were relatively modest. Wickes led the pack with a 9.8 percent gain to $8.38, but most averaged a 4.7 percent hike. Strangely, Sears' stock, despite having a huge volume of trades, remained relatively stable, with a 2.8 percent gain. Unfortunately, those that lost did so on a less modest scale. The Strober Organization slid downward 10.3 percent to close at $7.63, which is a 38 percent decline from its 52-week high of $12.25. Interco, which has put Central Hardware on the block after financial difficulties, sank 7.1 percent to close at $3.25.

Among wholesalers, Hughes Supply edged up 2.8 percent, while Moore Handley remained unchanged on weak volume.

Manufacturers' stocks tended to be more volatile as a whole, yet there were no wide swings one way or the other. Ply-Gem and Stanley Works led the way with 12 percent and 12.1 percent gains, respectively. Champion International showed the biggest drop, down 5.2 percent to $31.75



National Home Center News

HOME CENTER MARKET SUMMARY

Company and Market	Stock Market: Price: 2-Weeks Ended 3-10-89	2-Weeks Change: Amt.	2-Weeks Change: Pct.	2-Week Range: High	2-Week Range: Low	52-Week Range: High	52-Week Range: Low	Volume: 2-Weeks Shares Traded: Total	Volume: 2-Weeks Shares Traded: % Out	Volume: 12-Week Avg. Vol. As % Out	Volume: Volume Trend Change	P/E Ratio	Indicated Divd. Rate: Amt.	Indicated Divd. Rate: Yld.	Latest Report: New Report	Latest Report: Period	Latest Report: Date Ended	Latest Quarter: Revenue: Amt.	Latest Quarter: Revenue: Chg.	Latest Quarter: Net Income: Amt.	Latest Quarter: Net Income: Chg.	Latest Quarter: E.P.S.: Amt.	Latest Quarter: E.P.S.: Chg.	Year-to-Date: Revenue: Amt.	Year-to-Date: Revenue: Chg.	Year-to-Date: Net Income: Amt.	Year-to-Date: Net Income: Chg.	Year-to-Date: E.P.S.: Amt.	Year-to-Date: E.P.S.: Chg.
-	$	$	%	$	$	$	$	(100)	%	%	%	-	$	%	-	-	-	$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Retailers																													
Gen Bldg Prods M	4.25	.25	6.3	4.75	3.63	6.50	3.00	232	.58	.44	31.8	NE	.00	.0	NEW	fiscal	11-88	22.8	26.0	- .5	- 100.0	- .13	- 100.0	79.3	17.3	- .2	- 100.0	- .06	- 100.0
Grossman's Inc M	8.38	.25	3.1	8.38	7.88	8.50	4.88	25,561	9.78	4.18	134.0	16.8	.00	.0	.....	fiscal	12-88	285.8	10.9	.6	- 25.0	.02	NC	1141.6	6.0	13.2	9.1	.50	- 5.7
Hechinger A M	18.75	.00	.0	19.00	18.63	20.25	15.88	6,655	3.25	1.76	84.7	NA	.16	.9	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B M	18.75	.25	1.4	19.00	18.50	20.00	15.75	501	.32	.11	190.9	15.1	.06	.3	.....	9 mos.	10-88	250.6	35.5	12.1	28.7	.32	18.5	773.5	39.7	36.0	23.3	.96	7.9
Home Depot N	34.75	1.75	5.3	35.75	33.00	35.75	22.88	17,223	3.46	1.46	137.0	24.0	.12	.3	.....	9 mos.	10-88	509.9	40.0	17.1	76.3	.33	73.7	1474.7	36.6	57.9	52.0	1.13	39.5
Interco N	3.25	- .25	- 7.1	3.63	3.00	3.88	2.88	35,483	9.81	NC	NC	NA	.00	.0	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
K mart Cp N	39.88	2.63	7.0	39.88	36.88	39.88	30.25	52,488	2.63	1.33	97.7	11.0	1.32	3.3	.....	9 mos.	10-88	6358.2	6.4	126.1	14.5	.63	16.7	18884.1	5.7	409.7	10.4	2.04	12.1
Lowe's Cos N	25.00	1.38	5.8	25.75	23.38	25.75	18.75	7,190	1.94	.78	148.7	14.5	.48	1.9	.....	9 mos.	10-88	652.1	1.0	15.9	- 4.2	.42	.0	1947.3	.4	57.4	9.8	1.51	14.4
NHD Stores M	7.00	.25	3.7	7.00	6.50	8.00	4.50	113	.83	.66	25.8	9.3	.00	.0	.....	9 mos.	10-88	12.3	15.0	.1	NE	.04	NE	37.3	12.7	.6	50.0	.43	38.7
Natl Lumber M	2.13	.13	6.3	2.13	2.00	3.50	2.00	326	.58	.38	52.6	NE	.00	.0	.....	*	10-88	NC	NC	NC	NC	NC	NC	116.8	NC	- 2.6	NC	- .47	NC
Scotty's Inc N	12.38	- .25	- 2.0	12.88	12.00	15.25	10.50	650	.44	.53	- 17.0	42.7	.52	4.2	.....	6 mos.	12-88	141.0	5.6	2.5	.0	.16	- 5.9	269.0	4.6	- 2.0	- 100.0	- .14	- 100.0
Sears, Roebuck N	42.00	1.13	2.8	42.88	40.63	46.25	33.00	82,295	2.17	.92	135.9	17.5	2.00	4.8	.....	fiscal	12-88	11761.0	- 16.3	16.4	- 97.1	- .46	- 100.0	50251.0	3.7	909.5	- 44.9	2.40	- 44.8
Std Brd Pnt N	14.50	.25	1.8	16.00	14.25	18.50	10.63	4,279	7.48	3.92	90.8	NE	.00	.0	.....	9 mos.	10-88	80.5	2.2	1.3	- 69.8	.17	- 67.3	236.1	- .2	3.9	- 69.5	.50	- 67.7
Strober Organiz M	7.63	- .88	- 10.3	8.75	7.25	12.25	7.00	623	1.02	.37	175.7	10.4	.00	.0	.....	9 mos.	09-88	38.9	40.9	1.6	- 5.9	.26	- 3.7	105.4	40.2	3.4	- 20.9	.56	- 20.0
Wickes Cos N	8.38	.75	9.8	8.88	7.63	14.13	6.50	12,977	2.72	.57	377.2	5.7	.00	.0	.....	6 mos.	07-88	937.9	- 35.5	- 12.4	- 100.0	- .09	- 100.0	1866.0	- 37.7	- 15.0	- 100.0	.08	- 94.2
Wolohan Lumber M	22.25	.50	2.3	23.25	22.00	27.00	12.50	940	1.61	2.92	- 44.9	11.6	.28	1.3	.....	fiscal	12-88	64.3	13.2	2.8	3.7	.49	6.5	257.8	12.8	11.2	24.4	1.92	25.5
Zayre Corp N	25.75	1.38	5.6	26.25	23.88	27.13	18.63	29,998	5.34	2.09	155.5	NE	.40	1.6	.....	9 mos.	10-88	936.3	- 41.5	- 160.7	- 100.0	(2.87)	- 100.0	2530.5	- 41.2	- 178.2	- 100.0	(3.18)	- 100.0
Wholesalers																													
Hughes Supply N	18.38	.50	2.8	18.75	17.88	19.44	16.50	591	1.21	.47	157.4	9.3	.32	1.7	.....	9 mos.	10-88	131.7	16.3	2.5	.0	.51	4.1	376.3	18.3	7.1	6.0	1.46	9.8
Moore Handley M	3.75	.00	.0	3.75	3.75	5.00	3.75	9	.04	.22	- 81.8	NE	.20	5.3	NEW	fiscal	12-88	20.2	- 15.8	- .2	NE	- .10	NE	99.7	1.3	- .3	- 100.0	- .14	- 100.0
Manufacturers																													
Am Consum Prods M	10.00	.25	2.6	10.00	9.75	12.50	9.50	64	.24	.14	71.4	14.3	.00	.0	NEW	fiscal	12-88	22.1	30.8	.4	.0	.17	21.4	78.6	62.7	1.8	5.9	.70	9.4
Am Woodmark M	11.50	.00	.0	11.50	10.75	11.50	8.00	150	.20	.18	11.1	12.9	.00a	.0	NEW	9 mos.	01-89	38.9	30.1	1.3	85.7	.17	325.0	118.3	23.2	5.8	31.8	.77	32.8
Armstrng Wrld N	37.00	- 1.25	- 3.3	38.38	36.63	44.00	31.75	16,404	3.55	1.81	96.1	10.5	1.00	2.7	.....	fiscal	12-88	706.9	16.8	34.6	3.3	.74	2.8	2680.3	13.3	162.7	8.2	3.51	10.4
Black & Decker N	23.63	.50	2.2	24.25	23.13	25.25	17.38	20,341	3.48	2.14	62.6	13.3	.40	1.7	.....	3 mos.	12-88	705.5	15.2	38.4	23.5	.65	22.6	705.5	15.2	38.4	23.5	.65	22.6
Boise Cascade N	42.00	.25	.6	42.63	40.63	49.88	39.25	16,557	3.69	1.81	103.9	6.6	1.40	3.3	.....	fiscal	12-88	1034.8	6.1	76.4	33.6	1.70	41.7	4094.6	7.2	289.1	58.0	6.34	71.4
Catalina Lgtg A	13.00	1.00	8.3	14.00	11.50	14.00	3.00	2,940	8.66	3.33	160.1	28.3	.00	.0	NEW	3 mos.	12-88	9.0	83.7	.4	100.0	.12	71.4	9.0	83.7	.4	100.0	.12	71.4
Champ Intl N	31.75	- 1.75	- 5.2	33.50	31.50	38.00	29.50	29,337	3.08	1.67	84.4	6.6	1.10	3.5	.....	fiscal	12-88	1314.4	13.6	119.8	45.9	1.26	46.5	5128.5	11.1	456.4	19.5	4.80	19.1
Clairson Intl M	4.88	.38	8.3	5.13	4.13	8.00	4.13	2,627	5.16	2.19	135.6	NE	.00	.0	.....	9 mos.	06-88	27.2	46.2	- 2.1	- 100.0	- .43	- 100.0	78.4	45.7	- 4.3	- 100.0	- .85	- 100.0
Coleman Co N	67.63	- 1.00	- 1.5	70.00	67.25	71.00	35.50	5,852	8.31	6.26	32.7	19.5	1.20	1.8	.....	fiscal	12-88	141.0	6.1	1.8	- 5.3	.24	- 11.1	657.9	9.9	24.5	27.6	3.47	27.6
Cooper Indus N	55.38	.38	.7	56.25	54.13	62.75	50.13	7,083	1.39	1.04	33.7	12.6	2.00	3.6	.....	fiscal	12-88	1193.3	18.3	74.7	32.4	1.47	31.3	4258.3	18.8	224.4	29.1	4.41	27.1
DeSoto Inc N	49.50	1.25	2.6	52.50	46.75	52.50	28.88	6,802	16.96	7.19	135.9	62.7	1.40	2.8	.....	fiscal	12-88	85.0	31.0	- .1	NE	- .03	NE	402.5	7.9	3.2	- 69.8	.79	- 70.3
Emhart Corp N	42.38	2.50	6.3	42.75	39.88	42.75	18.88	154,046	24.86	5.04	393.3	21.0	.88	2.1	.....	fiscal	12-88	722.7	8.7	32.9	24.6	.52	23.8	2762.0	12.5	126.0	18.3	2.02	18.8
Georgia Pacific N	42.38	2.25	5.6	43.00	39.75	43.00	33.25	21,076	2.20	1.21	81.8	8.9	1.40	3.3	.....	fiscal	12-88	2567.0	15.2	129.0	15.2	1.35	26.2	9509.0	10.5	467.0	2.0	4.76	12.5
La Pacific N	31.13	.25	.8	31.50	30.25	37.50	26.00	6,238	1.61	1.01	59.4	7.7	.92	3.0	.....	fiscal	12-88	448.3	- 6.2	31.2	- .3	.83	1.2	1799.4	- 6.4	153.6	22.9	4.02	22.9
Macmillan Bloedel M	15.88	.38	2.4	16.00	15.25	17.38	13.88	6,152	.60	.28	114.3	NA	.80	NA	NEW	fiscal	12-88	801.1	1.2	73.2	16.4	.68	19.3	3273.5	4.4	329.8	17.5	3.08	20.3
Masco Corp N	25.75	.13	.5	26.38	25.13	30.38	23.63	18,907	1.38	1.14	21.1	12.3	.48	1.9	.....	fiscal	12-88	609.6	12.2	49.3	60.1	.36	56.5	2438.6	20.5	288.3	31.8	2.10	27.3
Mor-Flo Inds M	5.75	.38	7.0	5.75	5.38	6.50	4.50	122	.48	.29	65.5	NE	.01	.2	.....	9 mos.	09-88	52.5	6.9	- 1.9	NE	- .73	NE	162.0	4.9	- 5.8	NE	(2.29)	NE
Newell Co N	30.63	.88	2.9	31.38	29.63	31.38	17.88	2,619	1.13	1.47	- 23.1	14.0	.76b	2.5	.....	fiscal	12-88	253.7	- 16.8	21.2	58.2	.78	62.5	988.2	37.3	61.4	65.1	2.18	58.0
Nortek Inc N	9.13	.38	4.3	9.50	8.25	10.38	6.38	3,181	2.13	1.23	73.2	NE	.10	1.1	.....	9 mos.	09-88	343.0	- 2.7	4.8	2300.0	.32	3100.0	1049.0	7.5	16.3	43.0	1.10	54.9
Owens Corn N	28.63	.63	2.2	28.88	27.25	29.88	18.00	11,300	2.83	1.75	61.7	6.1	.00	.0	.....	fiscal	12-88	704.0	NC	58.0	NC	1.37	NC	2831.0	- 2.1	197.0	- 10.5	4.71	- 11.1
Ply-Gem A	14.00	1.50	12.0	14.38	12.50	15.63	11.38	4,866	4.51	1.18	282.2	9.9	.12	.9	NEW	fiscal	12-88	85.7	12.6	2.1	NE	.19	NE	383.7	22.7	15.9	112.0	1.41	113.6
Pope & Talbot N	19.75	.38	1.9	19.75	19.13	21.75	16.13	1,448	1.21	.85	42.4	7.4	.60	3.0	.....	fiscal	12-88	154.0	44.2	8.6	19.4	.73	23.7	515.0	20.6	31.9	13.5	2.68	15.0
Potlatch Cp N	34.38	1.75	5.4	35.00	32.13	35.38	27.25	3,910	1.45	.54	168.5	8.5	1.04	3.0	.....	fiscal	12-88	285.4	12.9	33.1	32.9	1.19	33.7	1084.1	9.3	112.4	28.3	4.04	29.1
PPG Inds N	44.00	1.50	3.5	44.50	42.13	46.88	36.25	15,252	1.39	.75	85.3	10.3	1.36	3.1	.....	fiscal	12-88	1431.7	7.8	102.3	6.0	.94	10.6	5616.7	8.4	467.6	24.0	4.26	33.5
Rep Gypsum N	5.00	.00	.0	5.25	4.88	6.88	4.25	437	.43	.32	34.4	23.8	.20	4.0	.....	6 mos.	12-88	13.3	- 8.3	.9	12.5	.09	12.5	25.6	- 6.6	1.3	8.3	.13	8.3
Sherwin-Wms N	26.75	.63	2.4	27.38	25.88	31.63	24.00	9,063	2.07	.99	109.1	11.6	.70	2.6	.....	fiscal	12-88	449.5	10.1	18.6	- 8.4	.43	- 6.5	1950.5	8.8	101.0	4.6	2.30	7.0
Stanley Works N	32.38	3.50	12.1	33.50	29.00	33.50	24.00	14,864	3.47	1.06	227.4	13.5	.96	3.0	.....	fiscal	12-88	486.2	6.0	30.4	16.0	.71	16.4	1909.0	8.3	103.5	19.5	2.40	20.0
Thos Inds N	19.63	.63	3.3	19.63	18.75	23.31	18.25	394	.39	.45	- 13.3	12.1	.72b	3.7	.....	fiscal	12-88	85.6	6.3	3.9	- 16.8	.37	- 17.8	347.6	8.0	17.7	3.5	1.62	3.8
Union Camp N	35.13	- .63	- 1.7	35.88	34.75	38.38	31.00	17,719	2.58	1.20	115.0	8.3	1.24	3.5	.....	fiscal	12-88	685.6	12.4	78.5	33.1	1.14	40.7	2660.9	15.3	295.2	42.3	4.25	50.2
USG N	6.00	- .13	- 2.0	6.13	5.88	7.75	4.75	8,284	1.59	1.63	- 2.5	2.5	.00	.0	.....	fiscal	12-88	540.0	- 25.6	42.6	147.7	.79	139.4	2248.0	- 22.4	125.5	- 38.6	2.38	- 39.9
Waxman Ind M	8.50	.50	6.3	8.75	8.00	12.25	7.09	2,337	2.53	1.81	39.8	11.0	.10	1.2	.....	6 mos.	12-88	48.0	26.0	1.7	13.3	.18	12.5	98.0	34.4	3.3	17.9	.36	20.0
Weyerhaeuser N	26.00	.50	2.0	26.38	25.25	29.50	23.25	24,248	1.19	1.15	3.5	9.7	1.20	4.6	.....	fiscal	12-88	2560.0	43.5	154.8	19.6	.73	19.7	8470.1	21.2	564.4	26.4	2.68	26.4

All Data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share

Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

Burt Lumber supplies builders of million dollar homes

(Continued from page 7)
alone," said Murray, without a trace of surprise in his voice.

Avoids tract housing

Burt Lumber, which celebrates its 25th anniversary on June 28, is not alone in its quest for builder business. Among its competitors are the Nassau-Suffolk Lumber and General Building Product chains, as well as a very strong independent Clete Lumber.

But what sets Burt Lumber apart, according to its 41-year-old vice president Jeff Marino, is that "we don't want tract housing business.

"The big developments draw competitive bids like a magnet," he explained. "And it's very difficult to make money. In addition, when you're dealing with tract developers, collection can be a problem."

Marino, who runs the company with his 66-year-old father, Jim Sr.; and brothers Jim (40), Jay (36) and John (31), added that another edge Burt Lumber has is its reputation for stocking quality building materials. The company reputedly was the first lumberyard in the market to stock redwood 15 years ago.

"We don't carry SPF or hem fir, and only stock Doug fir framing studs," he noted. At Burt's three-acre contractor yard, which was purchased in 1984, there sits in the outside area a large inventory of treated lumber.

The company's product strengths are interesting. For example, a few years ago it set up a separate shop so that it could be a stocking dealer of Andersen Windows. Its stores sell between 275 to 300 outdoor barns annually, ranging in price from $400 to $900. It maintains a separate "store" at its yards for the display of certain hardlines.

Burt Lumber is also in the process of constructing at each of its yards a 1,200-square-foot showroom for specialty products such as stair rails, doors, windows, paneling, ceilings and flooring. "We want someplace where builders can bring their homeowner customers and see what the product will look like in a home setting," said Marino.

This is one of several new business avenues the company is exploring. Another is exporting: it has been selling products such as plywood, formica and yellow pine to Israel.

Service crucial to sales

The company is also banking on being able to out-service the competition.

"Service is going to be a key this year," said Jeff Marino, whose company has six delivery trucks, and is making a serious effort in 1989 to improve its delivery time to job sites.

The company's service offering is facilitated by a computer system that Marino said is so simple to use it doesn't require a programmer. This system allows Burt Lumber a versatility that includes giving a builder takeoffs at different price levels based on that particular customer's sales with its yards.

"Customers can increase their buying power with us by increasing their volume," said Marino. More significantly, the system has eliminated the need for Burt to dedicate a specific salesperson to an individual contractor account. (Burt Lumber has no outside salesmen aside from Murray.)

Still wants retail business

Murray—who before joining Burt Lumber had worked as a kind of freelance general contractor with a number of home center and building supply dealers—was excited about his company's growing penetration into the custom home supply market. He was particularly sanguine about the increased profitability this business promises.

"When someone is having his own home built, he wants everything just right," said Murray. "And in these kinds of homes you can put in engineered products like Micro-Lam; the markup on this stuff is tremendous."

Over the course of the next few years, Burt Lumber hopes to increase its sales to customized home builders to between $4 million and $5 million. And Marino believes this could be accomplished without seriously shifting away from remodelers or DIYers.

"I sincerely hope our retail business doesn't dwindle," he said. "Ultimately, our customer is the homeowner, and a lot of our reputation has been built up by word of mouth from our retail trade."

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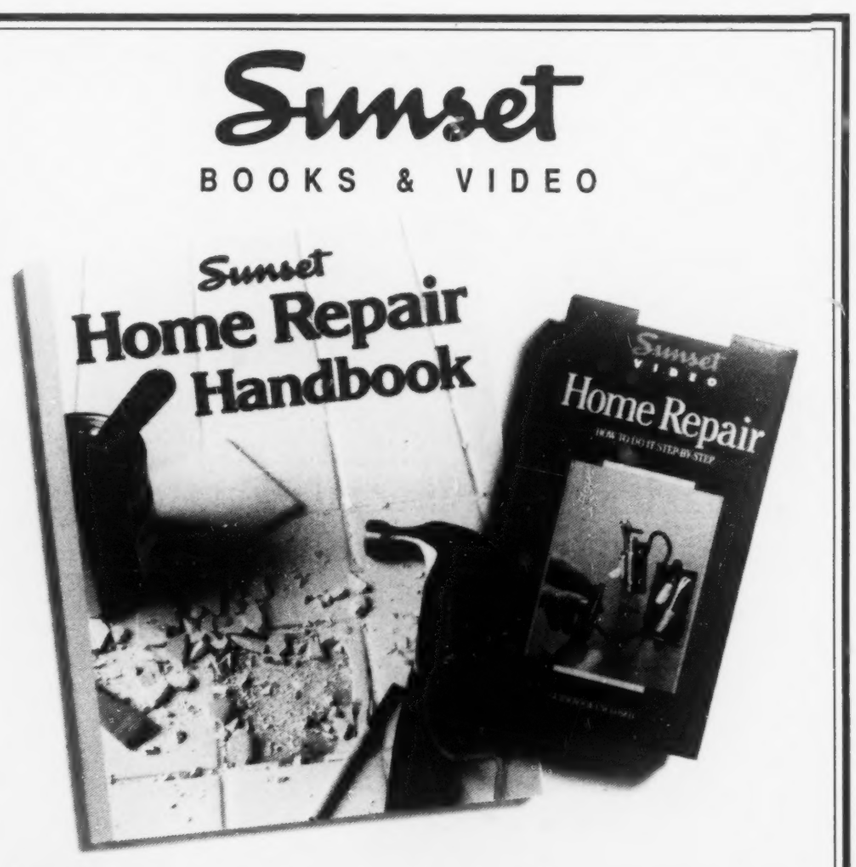

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SECOND CLASS

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Hechinger to barrel into Beantown

Price war expected as competition braces for 1990 entry

By Elizabeth Brent

LANDOVER, Md. — Hechinger's plans to invade the Boston market next year are expected to touch off a furious marketing war among that chain and competitors already with a major stake in that area.

The 78-unit Hechinger is scheduled to make a forceful entry into the Boston metropolitan market with four units by the spring of 1990, and it has plans for a possible 11 more there.

"We have targeted the greater Boston region for a major expansion effort, as it is the third largest market on the East Coast with a population of 4.5 million and more than 1.7 million households," said John W. Hechinger Jr., the company's president, in a prepared statement. Hechinger officials could not be reached for comment about its expansion.

(Due to an editing error, it was inaccurately reported earlier by *NHCN* that Hechinger had secured sites for seven new stores.)

Throwing down the gauntlet

Hechinger's intent to dominate the Boston market will pit its stores against local existing players, most notably Somerville Lumber, Grossman's and P. F. O'Connor, which opened a 200,000-square-foot warehouse unit in Revere, just north of the city, in 1987.

"We feel that Hechinger will make the pie smaller and we respect them as good competition," said Ron Jerauld, O'Connor's product line manager. "But we are not overly concerned that it will have 15 stores in our market area. We are going to rely on our biggest asset—our people—to hold on to our piece of the pie."

John W. Hechinger Jr.

Somerville Lumber commands a loyal following and its flagship store, based in the heart of the city, generated $57 million in 1988, or more than a quarter of the chain's $200 million in sales last year.

Grossman's, based just south of Boston in Braintree, Mass., signaled the symbolic and real importance of this market to its operations when it opened its first post-Chapter 11 store in Hanover, 40 miles south, in 1987.

At that time, Grossman's chairman Mike Grossman said Hanover "is a signal to the world that we are No. 1 in Boston and intend to stay No. 1."

(Continued on page 80)

Skeptical consumers worry low-price dealers

By Gary S. Ruderman

CHICAGO — Builders Square is one of the many practitioners in the home improvement industry selling products at the same low prices, day in and day out.

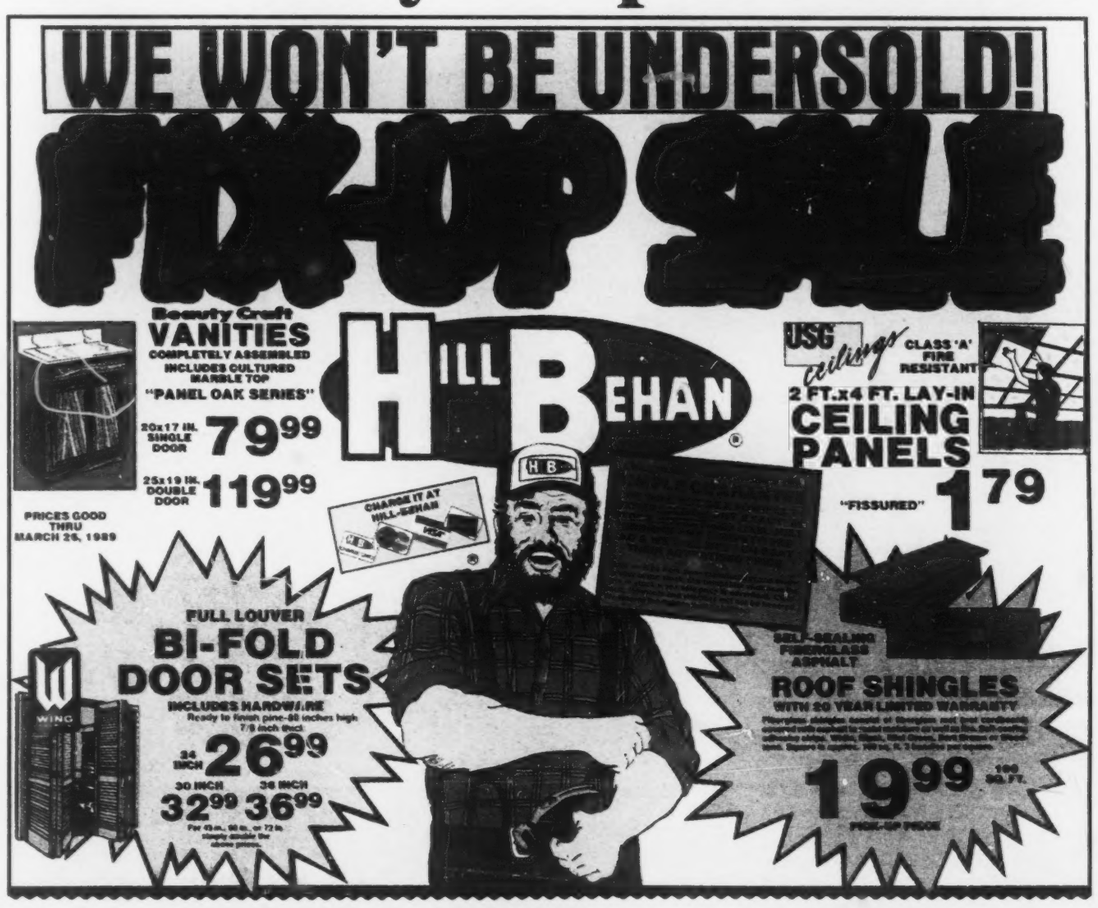
But Jud Walford, executive vp-merchandising and advertising for the San Antonio, Texas-based warehouse chain, isn't so sure that customers, bombarded by every dealer imaginable about how low their prices are have embraced or even trust the concept.

"As a consumer, I'm pretty skeptical of the claims about everyday low prices," he asserts. "Who do you believe?"

Just how many consumers feel the same way is what dealers whose marketing image hinges on everyday low pricing are asking themselves.

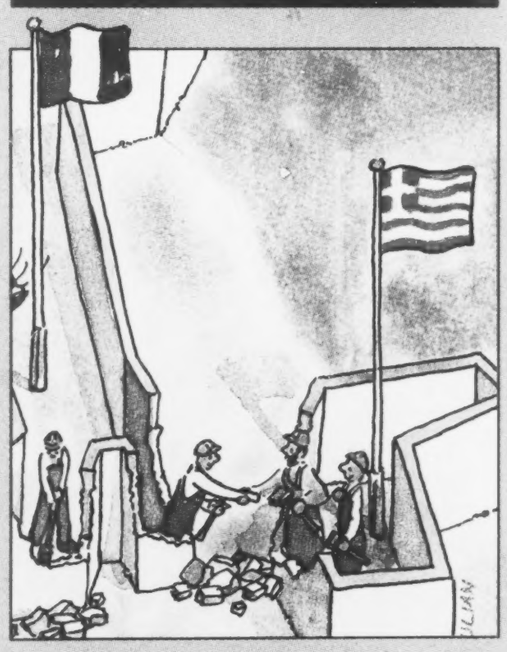
After 20 years of beating themselves and their customers over the head with a 2x4 called "SALE," retailers switched gears about three years ago and told customers they needn't wait

(Continued on page 79)



The St. Louis-based Hill Behan is one of the many chains that uses a guarantee to beat the competition's price as a major feature in its advertising.

PERSPECTIVES



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BUYING & SELLING

Mid-range faucets reassert themselves in the market 49

Interest rises in low-flush toilets as legislators search for drought relief

By Tim O'Malley

NATIONAL REPORT — Three major states and Congress have either passed laws or are considering legislation calling for the mandatory

Merchandising

phasing in of water-saving, low-flush toilets. But at least one major toilet manufacturer says the technology is not up to the American consumer's demands.

"It may never be," claims John Laughton, manager of marketing and projects at American Standard.

This display outside of Lampert Lumber in Sturgeon Bay, Wis. demonstrates the water savings potential of low-flush toilets. NHCN photo

"The U.S. has the highest flushing quality in the world, and no consumer will want

(Continued on page 79)

NEWSBREAKS

'THIS OLD HOUSE' DROPS HOST: Bob Vila has been cut from the popular PBS program after The Home Depot, a sponsor of the show in local markets, objected to some of the commercial endorsements Vila made, particularly for Rickel. Home Depot now competes with Rickel in the Northeast. According to *The Wall Street Journal*, Home Depot's protest might have influenced Weyerhaeuser, the show's major backer, to drop its sponsorship as well. Vila had no comment as of press time.

INDUSTRY UPDATE

Makita and ICB reach settlement

WASHINGTON — Makita USA and Makita Corporation of America have reached a tentative out of court settlement with International Consumer Brands (ICB) over Makita's claims of common trademark infringement.

As of press time a judge's approval was still pending, and the Makita subsidiaries dropped ICB from its International Trade Commission complaint alleging a number of companies infringed Makita's trademark cordless electric tools, an attorney for ICB explained. Counsel for Makita was not available for comment.

Bruce Hahn, ICB president, said the tentative agreement paved the way for a 15 to 30 year license to ICB to manufacture and sell Makita battery chargers and cartridges in North America.

BE chooses broadcast agency

IRVINE, Calif. — Builders Emporium has chosen DDB Needham Retail, Rancho Cordova, Calif., to handle its estimated $6 million broadcast account. DDB Needham currently handles the Orchard Supply Hardware account in San Jose, Calif.

Dick Roberts, account supervisor for DDB Needham, said new broadcast ads would begin airing in early May. Although BE is on the selling block, Roberts said he "assumed that wouldn't affect" the agency when the ownership change occurs.

DDB Needham will do strategic, media and creative planning for BE's broadcast and print advertising, with special emphasis on creating and producing television ads, Roberts said.

Monarch founder, pres. to resign

HONOLULU — Jim Rodden, a part-time football coach who founded Monarch Building Supply in 1972 and guided its growth into a seven-unit building materials dealer with $45 million annual sales, will retire as company president on April 18.

No successor to Rodden has been named. A management reorganization has placed Jack Brandt as vp in charge of four Monarch stores on Maui and Jerry McLeod as vp in charge of the Oahu unit and two stores on the Big Island of Hawaii.

Watkins-Pacific of Brisbane, Australia, bought Monarch from Rodden five years ago and signed him to a management contract.

"He just decided he could make more money playing with his own money than through Watkins-Pacific," said a company employee who asked not to be identified.

Another employee, public relations director Sam Nichols, said Rodden departed to "live the American dream—retiring in your mid-forties." He reportedly will spend time overseeing a business he owns in California.

Rodden gave no indication that he was pondering retirement in a late February interview for a profile on him that *NHCN* ran last month. In recent months Monarch's focus has been on expanding its contractor-oriented outlet near Honolulu International Airport.

Hypermarket to debut in Chicago

BRIDGEVIEW, Ill. — Auchan, the French hypermarket chain, will debut its discount offering in Chicago this spring near Builders Square and Handy Andy units.

Auchan's general manager David Skinner said the hardware and automotive departments would be the dominant area after foods in the 78,000-square-foot selling space.

"We will have promotional sales but everyday prices will be discounted," Skinner said. "Our competition is the specialist in any line we carry, whether it's health and beauty aids, food or hardware and automotives," he said. Auchan will have a match-any-price guarantee.

The 130,000-square-foot store carries health and beauty aids, electronics, toys, pet supplies and sporting goods.

This second U.S. Auchan hypermarket is just southwest of Chicago. The first, a 230,000-square-foot unit, opened last October in Houston and also sells apparel.

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HQ Warehouse plans to double its size in the next two years

By an NHCN staff editor

VIRGINIA BEACH, Va. — Home Quarters Warehouse will double its size in the next two years, according to its president and chief executive officer Frank Doczi.

It plans to open 10 stores and enter the new markets of Birmingham, Ala.; Durham, N.C.; and Richmond, Va. It will also add stores to its existing five-state market in the Southeast.

"It's logical to grow by expanding the circle," said Doczi.

It will increase its dominance in its core market of Hampton Roads, Va., by adding three new stores to bring its total to five units, and it will also open two stores in a new market—Richmond, Va.

Frank Doczi, president and ceo of HQ Warehouse. NHCN photo

In North Carolina, it will open in Durham for the first time, and strengthen its market presence in Charlotte, S.C., with a third unit. In addition, it will make a dramatic entry into Birmingham, Ala., with three new units where construction has already begun.

Home Quarters, a subsidiary of Hechinger, operates 85,000-square-foot warehouse stores with 25,000-square-foot outdoor areas. Unlike other warehouse stores, Home Quarters has a strong focus on the female shopper, who represents 50 percent of its customer base.

Home Quarters may roll out larger warehouse stores in the future as the company ventures into larger metropolitan areas capable of a larger sales volume.

Pres. of Lanoga western group resigns

By an NHCN staff editor

OLYMPIA, Wash. — Edwin M. Savage, president of the 23-unit western group of Lanoga Corp. headquartered here, has resigned effective March 31. A successor has not been named.

Daryl Nagel, president and ceo of the privately held Lanoga, will serve as acting president of the western group until a replacement is chosen. Nagel indicated he hopes to fill the vacancy from within the organization.

The western group consists of 10 Spenard Builders Supply units in Alaska and 13 Lumbermen's Building Centers in Oregon and Washington. Lanoga, headquartered in Redmond, Wash., also operates 102 United Building Centers in the Midwest and Rocky Mountain states.

Savage's resignation is based on "personal circumstances, there is no hidden agenda," he said. He and his wife plan to relocate to the Eastern U.S. to be closer to their family.

Savage joined Lanoga as ceo of the Lumbermen's chain in June 1985. The chain was consolidated with Spenard into a unified organizational structure in 1987.

The western group management staff "is now in place and ready to meet the challenges and opportunities of 1989 and the future," Savage said. "I am leaving both divisions better than I found them," he added.

"Ed can take pride" in his corporate restructuring of the western division, Nagel said, adding that he is "sorry to see him leave."

Previously, Savage was marketing manager for Boise Cascade's Building Materials Division. From 1955 to 1978, Savage worked for Braintree, Mass.-based Grossman's. For eight years he was senior vp and gm of Moore's, Roanoke, Va., a Grossman's division.

Edwin M. Savage, former president of Lanoga. NHCN photo

Home Depot's earnings up 42% in '88

By an NHCN staff editor

ATLANTA — The Home Depot posted record earnings for fiscal 1988, bettering the previous year's bottom line by 42 percent.

Net income for the 96-unit chain totalled $76.7 million, or $1.50 per share, for the year ended Jan. 29. This compares to $54 million, or $1.13 per share, for fiscal 1987.

The company also set an earnings record in the fourth quarter of fiscal 1988, securing $18.8 million, an 18 percent increase over the same period a year ago. Per share value improved to $.37 from $.32 in the fourth quarter of 1987.

Net sales for the Atlanta-based chain were $1,999,514,000, up 38 percent from fiscal 1987. Fourth quarter sales swelled to $524,773,000, 40 percent better than the previous year's $374,000,000.

Figures on comp-store growth were equally encouraging at 13 percent for the 12 months and 15 percent for the quarter.

10 stores opened in '88

All this was accomplished while The Home Depot incurred what it called "significant" preopening expenses for 10 new stores, and a Northeast merchandise and operations office in Piscataway, N.J.

(Continued on page 79)

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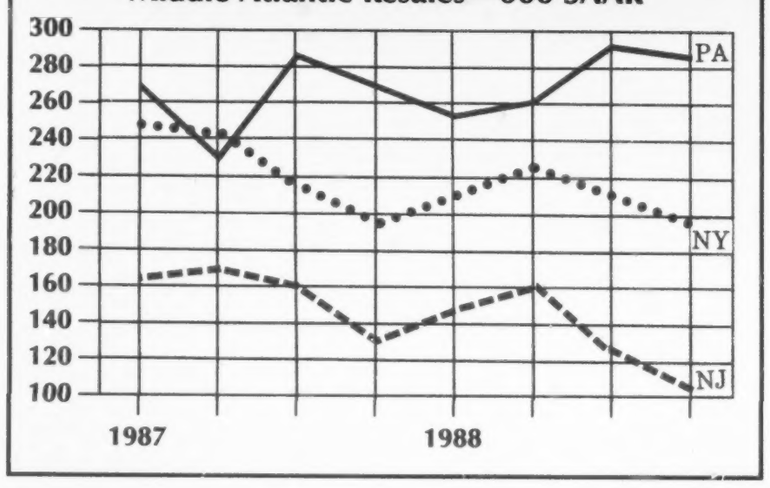
Business Watch

Section 4

Declining sales . . .



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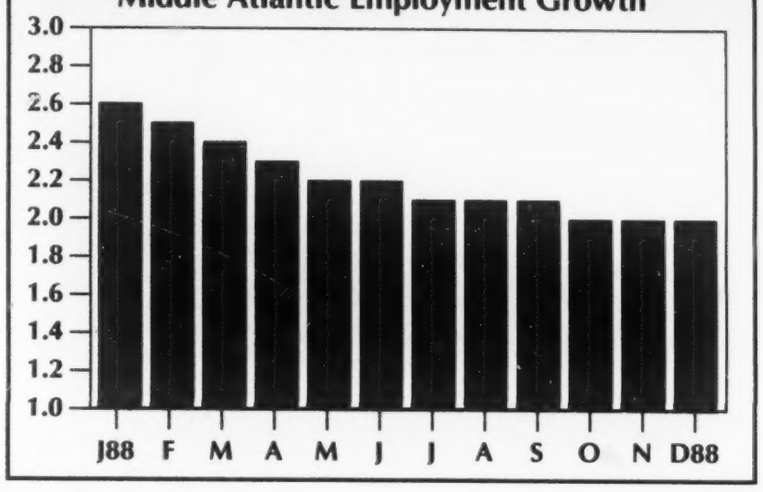

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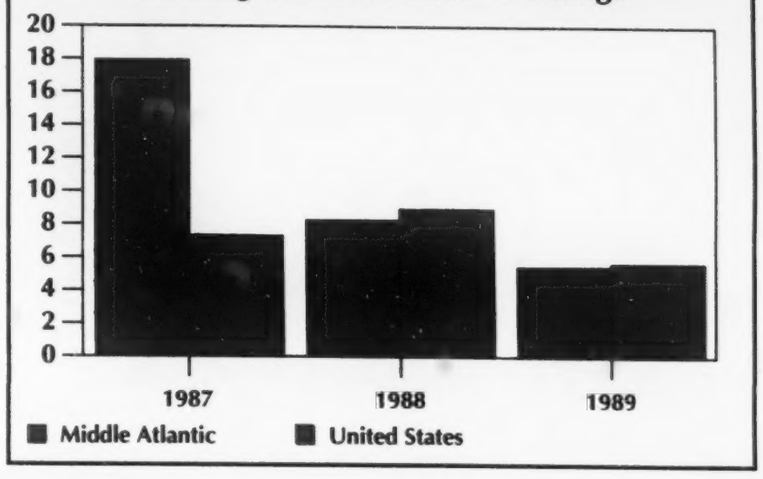


High cost of housing to hurt Middle Atlantic LBM sales in 1989

By Richard E. Mount
Special to NHCN

Building material sales in the Middle Atlantic states during 1989 will slow from their strong paces in recent years.

High home prices and slower employment gains will be restraining factors. Areas with traditional manufacturing bases or improving housing markets, however, will remain strong.

For 1989, regional sales are likely to be up 5 percent versus 5.2 percent for the nation. Nevertheless, sales will reach another record high in dollar and unit volume.

Richard E. Mount

New Jersey is apt to be the weakest state in the region for building material sales in 1989. Employment growth has slowed to 2.1 percent from 2.5 percent a year ago.

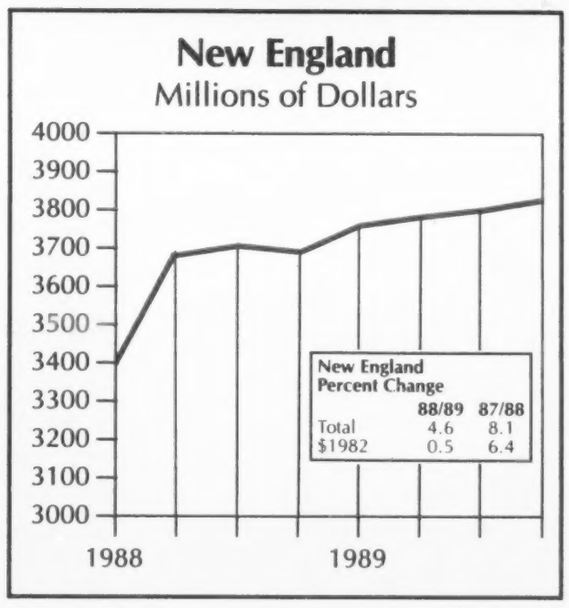
While the employment situation suggests a relatively strong market for building material sales, resale activity paints a far different picture. Resales were down 11 percent last year, with the fourth quarter down 36 percent from the second. The problem for housing is not employment, but price.

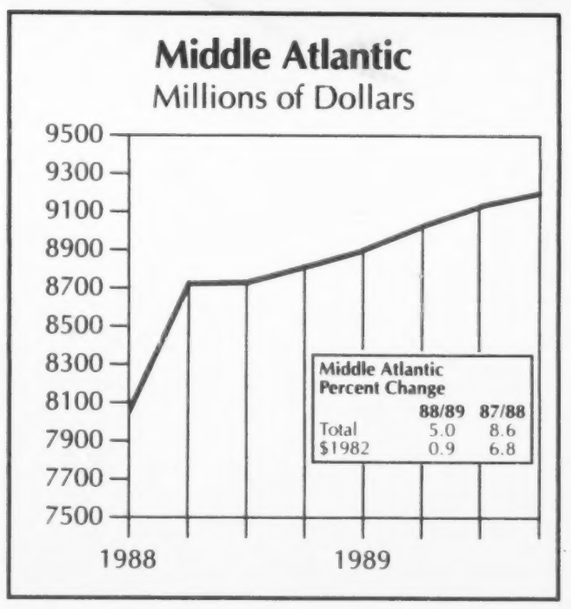
New York is undergoing a regional economic transition. Finance employment is unchanged from a year ago, harming the New York City area. National defense spending is growing at a slower pace, reducing job prospects for Long Island. For the rest of the state, however, business is improving. Employment is up 1.9 percent, down from a 2.4 percent gain a year ago.

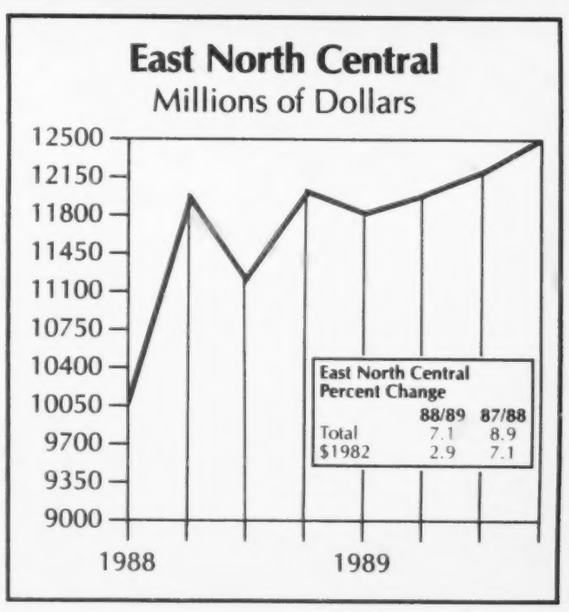
Pennsylvania should be the strongest state in the region this year. Manufacturing accounts for 21 percent of employment versus a 16 percent average in New Jersey and New York. Strength in national manufacturing from the decline in the dollar and higher domestic capital spending boost the Pennsylvania economy more than the rest of the region.

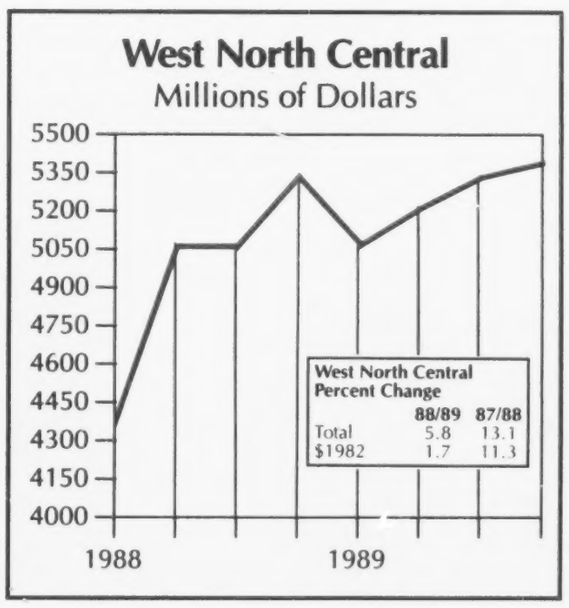
Richard Mount is president and chief economist with Mount Economic Consulting.

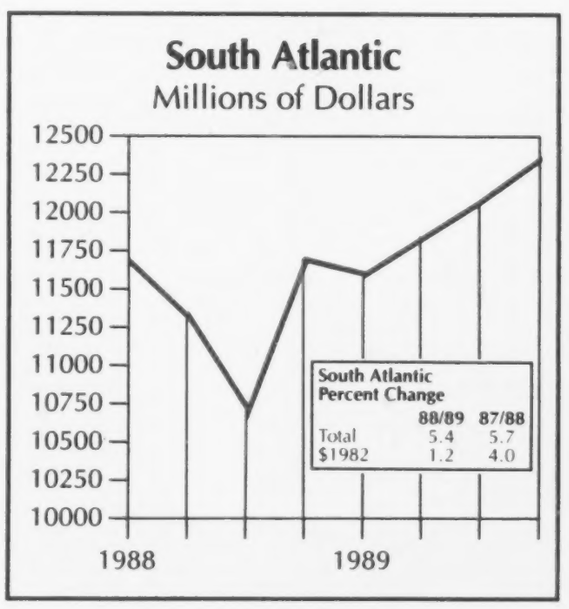
Regional Outlook: Building Material Sales

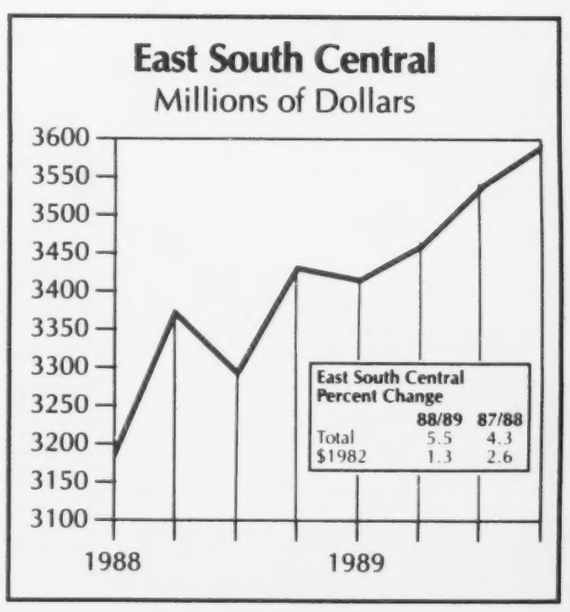


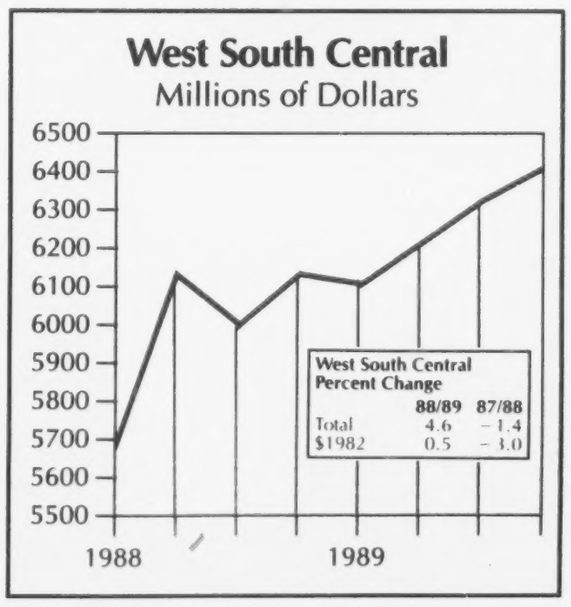


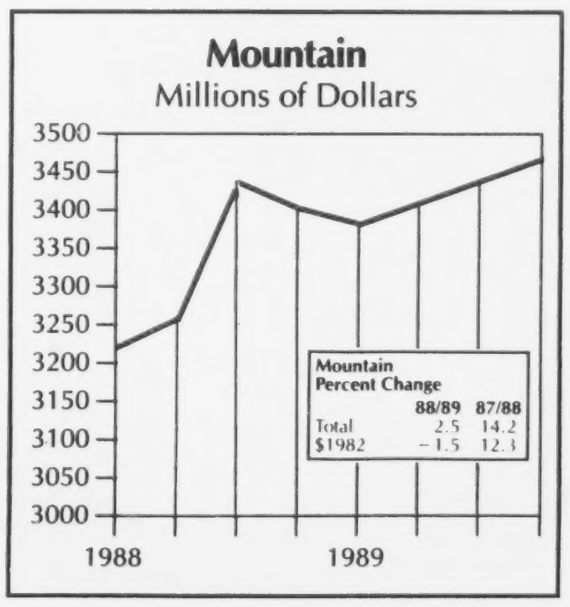


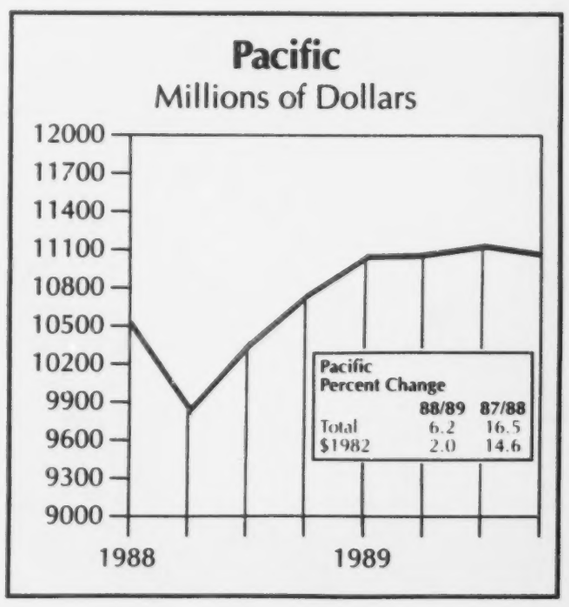












Data: Dept. of Commerce
Bureau of Labor Statistics
National Association of Realtors
Dept. of Housing and Urban Development

The Home Center Industry Outlook runs in two parts, one each month. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material and supply store sales.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart

Business Watch

stocks

Fred Meyer's sales and earnings leap during 4th quarter

By an NHCN staff editor

PORTLAND, Ore. — The 112-unit Fred Meyer chain here enjoyed record sales and earnings for the quarter ended Jan. 28.

The company, many of whose stores have large home improvement departments, saw its quarterly sales jump 16.1 percent to $568.4 million, with comp-store growth climbing 12.3 percent.

Net income for the quarter increased to $15.3 million, or 62 cents per share, an 11.2 percent jump. This increase occurred despite a $5.7 million LIFO charge against fourth quarter earnings.

Strong comp-store growth

"We are extremely pleased with our exceptional sales performance in the fourth quarter and for the year," said Fred Stevens, Fred Meyer's chairman and ceo, in a prepared statement. He added that the comp-store growth was one of the "finest achievements in the history of our company."

For the fiscal year, Fred Meyer's sales grew by 12.2 percent to $2.07 billion, with comp-store sales increasing 7.9 percent for the year. Net income growth was even stronger, gaining 14.4 percent to $36.7 million (including a $10.3 million LIFO charge). Earnings per share increased 14.5 percent to $1.50.

In 1988, the company opened two multi-department stores in Kent, Wash., and Grants Pass, Ore., as well as 12 smaller specialty units. This year, Fred Meyer plans to open large units in Auburn and Lacey, Wash., and Portland and Astoria, Ore., as well as an additional six to 10 specialty stores.

Share prices plummet for 36 cos.

The two weeks ended March 23 were dismal for home improvement stocks, as the share price of 36 companies fell. Only eight companies gained and five were flat, as tracked for *NHCN* by Media General.

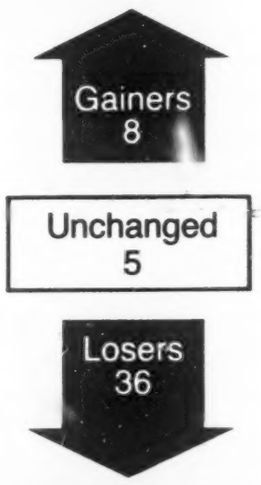
Ironically, the only retailer to show any life during this period was Sears, which was coming off of a massive advertising campaign promoting its new everyday low price strategy. The nation's largest retailer said its stock gained 0.9 percent to $42.38 per share. Interco, which continues to look for buyers for some of its divisions, including the Central Hardware chain, was flat at $3.25.

The rest of the retailers listed were off, some considerably: National Lumber's stock fell 17.6 percent to $1.75; Strober Organization dropped by 9.8 percent.

Manufacturers didn't fare much better. Black & Decker, which in this period announced its intention to purchase Emhart Corp. for $2.8 billion (*see page 3*) took a beating on the market, as its price plummeted 16.4 percent to $19.75 per share.

Among the gainers were Newell Cos. (4.5 percent to $32), USG (6.3 percent to $6.38) and Coleman Co., which recently agreed to be acquired.

The two publicly traded wholesalers, Hughes Supply and Moore Handley, showed increases during this two-week stint.



HOME CENTER MARKET SUMMARY

National Home Center News

Company and Market	Stock Market: Price: 2-Weeks Ended	2-Weeks Change Amt.	2-Weeks Change Pct.	2-Week Range High	2-Week Range Low	52-Week Range High	52-Week Range Low	Volume: 2-Weeks Shares Traded Total	2-Weeks Shares Traded % Out	12-Week Avg. Vol. As % Out	Volume Trend	P/E	Indicated Divd. Rate Amt.	Indicated Divd. Rate Yld.	Latest Report: New Report	Latest Report: Period	Latest Report: Date Ended	Latest Quarter: Revenue Amt.	Latest Quarter: Revenue Chg.	Latest Quarter: Net Income Amt.	Latest Quarter: Net Income Chg.	Latest Quarter: E.P.S. Amt.	Latest Quarter: E.P.S. Chg.	Year-to-Date: Revenue Amt.	Year-to-Date: Revenue Chg.	Year-to-Date: Net Income Amt.	Year-to-Date: Net Income Chg.	Year-to-Date: E.P.S. Amt.	Year-to-Date: E.P.S. Chg.
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Retailers																													
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Grossman's Inc M	8.13	- .25	- 3.0	8.38	8.00	8.50	4.88	10,443	4.00	4.23	- 5.4	16.3	.00	.0	.....	fiscal	12-88	285.8	10.9	.6	- 25.0	.02	NC	1141.6	6.0	13.2	9.1	.50	- 5.7
Hechinger A M	17.00	- 1.75	- 9.3	19.00	16.75	20.25	15.88	15,075	7.36	1.92	283.3	NA	.16	.9	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B M	17.00	- 1.75	- 9.3	18.75	17.00	20.00	15.75	1,245	.82	.15	446.7	13.1	.06	.4	NEW	fiscal	01-89	245.9	43.4	12.8	18.5	.34	21.4	1019.4	40.6	48.8	22.0	1.30	11.1
Home Depot N	33.75	- 1.00	- 2.9	36.13	33.25	36.13	22.88	21,734	4.36	1.66	162.7	22.5	.12	.4	NEW	fiscal	01-89	524.8	40.3	18.9	18.1	.37	15.6	1999.5	37.5	76.8	42.0	1.50	32.7
Interco N	3.25	.00	.0	3.38	2.88	3.88	2.88	38,114	10.53	5.20	102.5	NA	.00	.0	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
K mart Cp N	37.75	- 2.13	- 5.3	40.38	37.75	40.38	30.25	60,903	3.06	1.43	114.0	9.4	1.32	3.5	NEW	fiscal	01-89	8417.3	8.5	393.2	22.5	1.96	24.1	27301.4	6.5	802.9	16.0	4.00	17.6
Lowe's Cos N	23.25	- 1.75	- 7.0	25.38	23.00	25.75	18.75	6,527	1.76	.78	125.6	13.4	.48	2.1	.....	9 mos.	10-88	652.1	1.0	15.9	- 4.2	.42	.0	1947.3	.4	57.4	9.8	1.51	14.4
NHD Stores M	6.88	- .13	- 1.8	6.88	6.50	8.00	4.50	74	.55	.63	- 12.7	9.2	.00	.0	.....	9 mos.	10-88	12.3	15.0	.1	NE	.04	NE	37.3	12.7	.6	50.0	.43	38.7
Natl Lumber M	1.75	- .38	- 17.6	2.13	1.75	3.50	1.75	327	.58	.27	114.8	NE	.00	.0	.....	*	10-88	NC	NC	NC	NC	NC	NC	116.8	NC	- 2.6	NC	- .47	NC
Scotty's Inc N	11.50	- .88	- 7.1	12.50	11.50	15.13	10.50	586	.40	.49	- 18.4	39.7	.52	4.5	.....	6 mos.	12-88	141.0	5.6	2.5	.0	.16	- 5.9	269.0	4.6	- 2.0	- 100.0	- .14	- 100.0
Sears, Roebuck N	42.38	.38	.9	43.50	42.00	46.25	33.00	88,363	2.33	1.00	133.0	17.7	2.00	4.7	.....	fiscal	12-88	11761.0	- 16.3	16.4	- 97.1	- .46	- 100.0	50251.0	3.7	909.5	- 44.9	2.40	- 44.8
Std Brd Pnt N	14.25	- .25	- 1.7	15.75	14.25	18.50	10.63	3,101	5.42	3.61	50.1	NE	.00	.0	.....	9 mos.	10-88	80.5	2.2	1.3	- 69.8	.17	- 67.3	236.1	- .2	3.9	- 69.5	.50	- 67.7
Strober Organiz M	6.88	- .75	- 9.8	7.63	6.63	12.25	6.63	367	.60	.35	71.4	9.4	.00	.0	.....	9 mos.	09-88	38.9	40.9	1.6	- 5.9	.26	- 3.7	105.4	40.2	3.4	- 20.9	.56	- 20.0
Wickes Cos N	8.00	- .38	- 4.5	8.38	8.00	14.13	6.50	2,160	.45	.47	- 4.3	5.4	.00	.0	.....	6 mos.	07-88	937.9	- 35.5	- 12.4	- 100.0	- .09	- 100.0	1866.0	- 37.7	- 15.0	- 100.0	.08	- 94.2
Wolohan Lumber M	21.50	- .75	- 3.4	22.75	21.38	27.00	14.25	806	1.38	2.58	- 46.5	11.2	.28	1.3	.....	fiscal	12-88	64.3	13.2	2.8	3.7	.49	6.5	257.8	12.8	11.2	24.4	1.92	25.5
Zayre Corp N	24.75	- 1.00	- 3.9	27.00	24.50	27.13	18.63	30,876	5.50	2.20	150.0	NE	.40	1.6	.....	9 mos.	10-88	936.3	- 41.5	- 160.7	- 100.0	(2.87)	- 100.0	2530.5	- 41.2	- 178.2	- 100.0	(3.18)	- 100.0
Wholesalers																													
Hughes Supply N	18.50	.13	.7	18.75	18.25	19.44	16.50	356	.73	.48	52.1	9.3	.32	1.7	.....	9 mos.	10-88	131.7	16.3	2.5	.0	.51	4.1	376.3	18.3	7.1	6.0	1.46	9.8
Moore Handley M	4.25	.50	13.3	4.25	3.75	5.00	3.75	271	1.17	.20	485.0	NE	.20	4.7	.....	fiscal	12-88	20.2	- 15.8	- .2	NE	- .10	NE	99.7	1.3	- .3	- 100.0	- .14	- 100.0
Manufacturers																													
Am Consum Prods M	9.50	- .50	- 5.0	10.00	9.50	12.50	9.50	9	.03	.12	- 75.0	13.6	.00	.0	.....	fiscal	12-88	22.1	30.8	.4	.0	.17	21.4	78.6	62.7	1.8	5.9	.70	9.4
Am Woodmark M	11.13	- .38	- 3.3	12.25	10.88	12.25	8.00	158	.21	.13	61.5	12.5	.00a	.0	NEW	9 mos.	01-89	38.9	30.1	1.3	85.7	.17	325.0	118.3	23.2	5.8	31.8	.77	32.8
Armstrng Wrld N	34.88	- 2.13	- 5.7	37.00	34.75	44.00	31.75	14,678	3.18	1.90	67.4	9.9	1.00	2.9	.....	fiscal	12-88	706.9	16.8	34.6	3.3	.74	2.8	2680.3	13.3	162.7	8.2	3.51	10.4
Black & Decker N	19.75	- 3.88	- 16.4	24.25	19.38	25.25	18.25	44,701	7.64	2.45	211.8	11.2	.40	2.0	.....	3 mos.	12-88	705.5	15.2	38.4	23.5	.65	22.6	705.5	15.2	38.4	23.5	.65	22.6
Boise Cascade N	41.88	- .13	- .3	42.88	41.38	49.00	39.25	14,162	3.15	1.96	60.7	6.6	1.40	3.3	.....	fiscal	12-88	1034.8	6.1	76.4	33.6	1.70	41.7	4094.6	7.2	289.1	58.0	6.34	71.4
Catalina Lghtg A	13.00	.00	.0	13.88	12.63	14.00	3.00	1,273	3.75	3.35	11.9	28.3	.00	.0	.....	3 mos.	12-88	9.0	83.7	.4	100.0	.12	71.4	9.0	83.7	.4	100.0	.12	71.4
Champ Intl N	30.25	- 1.50	- 4.7	32.25	30.13	38.00	29.50	33,917	3.56	1.77	101.1	6.3	1.10	3.6	.....	fiscal	12-88	1314.4	13.6	119.8	45.9	1.26	46.5	5128.5	11.1	456.4	19.5	4.80	19.1
Clairson Intl M	4.75	- .13	- 2.6	5.13	4.50	7.38	4.13	727	1.43	2.09	- 31.6	NE	.00	.0	.....	9 mos.	06-88	27.2	46.2	- 2.1	- 100.0	- .43	- 100.0	78.4	45.7	- 4.3	- 100.0	- .85	- 100.0
Coleman Co N	73.00	5.38	7.9	73.13	67.38	73.13	35.50	11,355	16.13	7.49	115.4	21.0	1.20	1.6	NEW	fiscal	12-88	141.0	6.1	1.8	- 5.3	.24	- 11.1	657.9	9.9	24.5	27.6	3.47	27.6
Cooper Indus N	55.13	- .25	- .5	56.75	54.50	62.75	50.13	10,979	2.16	1.10	96.4	12.5	2.00	3.6	.....	fiscal	12-88	1193.3	18.3	74.7	32.4	1.47	31.3	4258.3	18.8	224.4	29.1	4.41	27.1
DeSoto Inc N	51.88	2.38	4.8	52.50	49.13	52.50	28.88	4,159	10.37	7.89	31.4	65.7	1.40	2.7	.....	fiscal	12-88	85.0	31.0	- .1	NE	- .03	NE	402.5	7.9	3.2	- 69.8	.79	- 70.3
Emhart Corp N	41.13	- 1.25	- 2.9	42.50	40.38	42.75	18.88	97,941	15.80	6.25	152.8	20.4	.88	2.1	.....	fiscal	12-88	722.7	8.7	32.9	24.6	.52	23.8	2762.0	12.5	126.0	18.3	2.02	18.8
Georgia Pacific N	42.38	.00	.0	42.75	41.50	43.00	33.25	22,406	2.34	1.27	84.3	8.9	1.40	3.3	.....	fiscal	12-88	2567.0	15.2	129.0	15.2	1.35	26.2	9509.0	10.5	467.0	2.0	4.76	12.5
La Pacific N	29.75	- 1.38	- 4.4	31.88	29.75	37.50	26.00	14,025	3.63	1.18	207.6	7.4	.92	3.1	.....	fiscal	12-88	448.3	- 6.2	31.2	- .3	.83	1.2	1799.4	- 6.4	153.6	22.9	4.02	22.9
Macmillan Bloedel M	15.88	.00	.0	16.00	15.50	17.38	13.88	1,811	.18	.27	- 33.3	NA	.80	NA	.....	fiscal	12-88	801.1	1.2	73.2	16.4	.68	19.3	3273.5	4.4	329.8	17.5	3.08	20.3
Masco Corp N	25.00	- .75	- 2.9	25.88	24.50	30.38	23.63	27,809	2.03	1.09	86.2	11.9	.48	1.9	.....	fiscal	12-88	609.6	12.2	49.3	60.1	.36	56.5	2438.6	20.5	288.3	31.8	2.10	27.3
Mor-Flo Inds M	5.75	.00	.0	5.75	5.38	6.50	4.50	54	.21	.18	16.7	NE	.01	.2	.....	9 mos.	09-88	52.5	6.9	- 1.9	NE	- .73	NE	162.0	4.9	- 5.8	NE	(2.29)	NE
Newell Co N	32.00	1.38	4.5	32.00	30.00	32.00	17.88	5,113	2.20	1.48	48.6	14.7	.76b	2.4	.....	fiscal	12-88	253.7	- 16.8	21.2	58.2	.78	62.5	988.2	37.3	61.4	65.1	2.18	58.0
Nortek Inc N	9.13	.00	.0	9.50	8.75	10.38	6.38	3,060	2.05	1.22	68.0	NE	.10	1.1	.....	9 mos.	09-88	343.0	- 2.7	4.8	2300.0	.32	3100.0	1049.0	7.5	16.3	43.0	1.10	54.9
Owens Corn N	26.13	- 2.50	- 8.7	29.00	26.00	29.88	18.00	6,667	1.67	1.68	- .6	5.5	.00	.0	.....	fiscal	12-88	704.0	NC	58.0	NC	1.37	NC	2831.0	- 2.1	197.0	- 10.5	4.71	- 11.1
Ply-Gem A	13.38	- .63	- 4.5	14.13	13.25	15.63	11.38	1,813	1.68	1.22	37.7	9.5	.12	.9	.....	fiscal	12-88	85.7	12.6	2.1	NE	.19	NE	383.7	22.7	15.9	112.0	1.41	113.6
Pope & Talbot N	19.25	- .50	- 2.5	19.75	19.13	21.75	16.13	1,463	1.22	.87	40.2	7.2	.60	3.1	.....	fiscal	12-88	154.0	44.2	8.6	19.4	.73	23.7	515.0	20.6	31.9	13.5	2.68	15.0
Potlatch Cp N	31.75	- 2.63	- 7.6	34.88	31.63	35.38	27.25	3,820	1.42	.58	144.8	7.9	1.04	3.3	.....	fiscal	12-88	285.4	12.9	33.1	32.9	1.19	33.7	1084.1	9.3	112.4	28.3	4.04	29.1
PPG Inds N	43.13	- .88	- 2.0	44.25	42.50	46.88	36.25	12,364	1.13	.77	46.8	10.1	1.36	3.2	.....	fiscal	12-88	1431.7	7.8	102.3	6.0	.94	10.6	5616.7	8.4	467.6	24.0	4.26	33.5
Rep Gypsum N	4.88	- .13	- 2.5	5.13	4.75	6.88	4.25	304	.30	.26	15.4	23.2	.20	4.1	.....	6 mos.	12-88	13.3	- 8.3	.9	12.5	.09	12.5	25.6	- 6.6	1.3	8.3	.13	8.3
Sherwin-Wms N	26.88	.13	.5	27.13	25.88	31.63	24.00	9,666	2.21	1.05	110.5	11.7	.70	2.6	NEW	fiscal	12-88	444.6	8.9	18.7	- 7.9	.43	- 6.5	1950.5	8.8	101.1	4.7	2.30	7.0
Stanley Works N	30.88	- 1.50	- 4.6	32.75	30.63	33.50	24.00	10,984	2.56	1.14	124.6	12.9	.96	3.1	NEW	fiscal	12-88	486.2	6.0	30.4	16.0	.71	16.4	1909.0	8.3	103.5	19.5	2.40	20.0
Thos Inds N	18.50	- 1.13	- 5.7	19.63	18.25	23.31	18.25	545	.54	.38	42.1	11.4	.72b	3.9	.....	fiscal	12-88	85.6	6.3	3.9	- 18.8	.37	- 17.8	347.6	8.0	17.7	3.5	1.62	3.8
Union Camp N	34.63	- .50	- 1.4	35.25	34.13	38.38	31.00	14,550	2.12	1.19	78.2	8.1	1.24	3.6	.....	fiscal	12-88	685.6	12.4	78.5	33.1	1.14	40.7	2660.9	15.3	295.2	42.3	4.25	50.2
USG N	6.38	.38	6.3	6.50	5.75	7.75	4.75	13,839	2.66	1.53	73.9	2.7	.00	.0	.....	fiscal	12-88	540.0	- 25.6	42.6	147.7	.79	139.4	2248.0	- 22.4	125.5	- 38.6	2.38	- 39.9
Waxman Ind M	7.50	- 1.00	- 11.8	8.38	7.25	12.25	7.09	2,752	2.98	1.99	49.7	9.7	.10	1.3	.....	6 mos.	12-88	48.0	26.0	1.7	13.3	.18	12.5	98.0	34.4	3.3	17.9	.36	20.0
Weyerhaeuser N	25.75	- .25	- 1.0	27.38	25.38	28.75	23.25	28,154	1.38	1.13	22.1	9.6	1.20	4.7	.....	fiscal	12-88	2560.0	43.5	154.8	19.6	.73	19.7	8470.1	21.2	564.4	26.4	2.68	26.4

All Data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share
Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market
*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

Impact of proposed B&D/Emhart merger uncertain

(Continued from page 3)

product being the better known. It has also been pointed out that Richard Campbell, the vp-consumer products group for Emhart, had worked at B&D for 14 years.

Patrick Murphy, marketing manager with San Francisco-based Schlage Lock, said the deal "would be good for our competition," referring to Emhart's Kwikset division. "Black and Decker is much more of a retail and consumer company than Emhart. They know what selling at retail is about. It's a true fit."

Bob Brymer, marketing manager at power tool maker Skil Corp., said a larger B&D should allow it more flexibility in deciding where to put its resources and would also give it more clout in the industry. He wondered, though, if B&D will be forced to sell some of the divisions to pay the debt it will bring on with the sale.

About the prospect of selling off parts of the consumer division, Lucas said, "We don't currently have any plans to do that, although we reserve the right to do that down the road."

To an extent, the nation's largest power tool supplier is responding to questions about debt service with its plans to sell Emhart's information and electronic systems division, which last year accounted for 24 percent of Emhart's $2.8 billion revenue.

Success comes from the top

Emhart's headquarters in Farmington, Conn., will be phased out, and its operations moved to Towson.

Citibank N.A. told B&D it will provide $1 billion to finance the offer and is charged with obtaining commitments from a group of banks for the remainder of funds needed to complete the $2.8 billion deal.

Peter L. Scott, chairman, president and ceo of Emhart, will become a director and chairman of the board of B&D. Nolan Archibald will continue as president and ceo of B&D, the company he joined more than three years ago from Beatrice Cos. and has led to a remarkable comeback after several years of stagnant sales and earnings.

In fiscal 1988, B&D's earnings rose almost 75 percent, to $97.1 million.

The success of this acquisition will "all depend on how it's going to be managed from the top," notes Roy Thompson, corporate purchasing manager with Makita, the La Mirada, Calif.-based power tool supplier.

In agreeing to B&D's bid, Emhart rejected an earlier $35 per share offer by Topper Ltd., a group composed of the Fisher real estate family and oil heir Gordon P. Getty. B&D agreed to pay Topper $21 million to settle a suit by Topper. Topper was claiming its offer was "negotiable," and said Emhart had not given it fair consideration.

Hechinger set to invade Boston market

(Continued from page 1)

Grossman's status as a chain that is being offered for sale may make it less formidable competitively, at least for the moment. But officials at Somerville Lumber, which is the only segment of its parent Payless Cashways that will expand in unit count through 1993, are ready to rumble.

"I firmly believe in the value package we present to our customer, and I'm happy to go to war with it," said Harold Cohen, co-chairman of Somerville. "We don't intend to change it and intend to make sure everybody knows it's available. We'll be damned competitive."

To concentrate its efforts on Boston, Hechinger has delayed entry into New York, ostensibly due to the high real estate costs.

Its Huntington, N.Y., store—a site purchased four years ago—had been slated to open this spring. At press time Hechinger had not announced specific plans for its completed Huntington unit. With real estate prices averaging $20 per square foot, some wonder how long Hechinger will hold onto this site.

"In light of the unavailability of prime real estate . . . we have been unable to develop the number of preferred store sites necessary to dominate this market," said Hechinger.

It also wants to devote ad dollars to markets where it can cluster stores, he said.

Hechinger's decision may also have been influenced by a desire not to compete with The Home Depot, which expects to open three units on Long Island this year. Both Hechinger and its subsidiary Home Quarters Warehouse have avoided opening in markets with warehouse stores.

According to David Bolotsky, retail analyst at Goldman, Sachs in New York, Home Depot can afford higher real estate prices because its stores generate sales of $290 per square foot, while Hechinger's stores average $190 per square foot.

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National
Home Center News

SECOND CLASS

Vol. 15, No. 9 $3 a copy The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. May 8, 1989

Dealers discover customer service pays off

Headquarters staffs hit the sales floor to sound out customers, employees

By Elizabeth Brent

INTERNATIONAL REPORT — Officials at Ernst Home & Nursery in Seattle wanted to get better input about how its 70 stores were running. So, on March 7, they switched places with store managers, a move that will occur from now on every quarter.

News Analysis

Customer focus groups told Busy Beaver that the quality of its stores' lumber was poorer than its competitors'. So, said company president Chuck Bender, the 13-unit Pittsburgh chain recently instituted a weekly culling system to pick out some of the junkier pieces.

After visiting his Mission Hills, Calif., store and conversing with an employee, Jesse Ruf, the ceo of Neiman-Reed's Lumber City in Van Nuys, Calif., discovered he might have to add another truck to accommodate its popular free delivery service.

Within months of appointing its first director of consumer services, England's Payless DIY chain changed its stores' signage and access routes, and instituted new training and management programs.

Both here and abroad, retailers are taking steps to improve dramatically their stores' customer service, mostly by making employees and, in some cases, upper level management, more responsive to consumers' needs.

Increasingly, that has meant headquarters officials getting out from behind their desks and into the stores more to take the pulse of their employees and customers.

"The best way for me to keep in touch with my employees is to be in the stores," said Ruf, who visits two stores a day. "There's no substitute."

"[In] the end we're all about customers, because without customers we don't have a business and our jobs," added Jim Hodkinson, ceo of England's leading home center chain, the 240-unit B&Q. "The nearer we get to customers and our staff, the better our business will be."

(Continued on page 81)

HomeClub ceo quits; cites management 'ambiguity'

By Brad Altman

FULLERTON, Calif. — Sean F. Lee departed HomeClub in April after a nine-month tenure as president and ceo of the 52-unit warehouse home center chain based here.

Herb Zarkin, the ceo of HomeClub from mid-1985 until his reassignment to parent Zayre Corp. headquarters in Framingham, Mass., in early 1988, "will fill in as acting president but there will be a search for a replacement," a Zayre spokeswoman said.

Lee's replacement is expected to hold the coo title and will report to ceo Zarkin. Zarkin in turn will report to John Levy, the top executive in charge of HomeClub and BJ's Wholesale Club, a Zayre-owned East Coast general merchandise chain. Both are scheduled to be spun off from Zayre in May or June.

In a telephone interview with *NHCN*, Lee said his decision to leave HomeClub April 7 resulted from "an ambiguity of management. Both Herb [Zarkin] and I were trying to

(Continued on page 6)

Lowe's prototype features self service in a 'bigger box'

By Tom Bagsarian

BOONE, N.C. — It's a self service world out there. And Lowe's latest prototype, which will carry the chain into the next decade, is adapting to it.

Higher ceilings, more commodities on the showroom floor, better signage, broader product assortments. These are some of the features that distinguish Lowe's 40,000-square-foot store here from its more traditional outlets. The unit opened in March just 30 miles west of the 296-unit chain's headquarters in North Wilkesboro, N.C.

"It's simply a bigger box in terms of ceiling and floor space," said Cliff Oxford, Lowe's vp-corporate relations.

It's also Lowe's future. The industry's biggest retailer will open 30 of these stores this year, including 60,000-square-foot versions in larger markets. Eighteen will replace existing units, just as the one here did, and 12 will open in new locations. Plans call for Lowe's to have 308 stores by the end of 1989.

Lowe's prototype unit in Boone, N.C., will still stress customer service with a desk at the front entrance. NHCN photo

(Continued on page 83)

SELLING PROJECTS

KITCHEN AND BATH

Kitchen and bath remodeling is expected to level off in 1989. But that hasn't stopped home improvement retailers from expanding their K&B departments, and by adding a number of other categories—millwork, linens, etc.—to their project marketing. The sale of these projects is being revolutionized by the availability and lower cost of computer-aided design systems, which many retailers are taking on in their stores.

U.S. lumber dealers accuse Canada of trade hanky panky

By Gary S. Ruderman

NATIONAL REPORT — Friction continues between U.S. and Canadian lumber suppliers over alleged lumber smuggling and so-called non-tariff barriers on certain plywood.

In testimony before a U.S. Senate Subcommittee on International Trade, a U.S. organization charged that some Canadian suppliers are evading taxes.

Larry Broderick, president of Rivendell Forest Products in Colorado and spokesman for a group seeking to enforce Canada's lumber export tax, alleged Canadian wholesalers are evading taxes by hoodwinking customs inspectors.

In the same hearing on the Canadian Free Trade Act in April, the American Plywood Association (APA) called for a continuation of the 20 percent U.S. tariff on Canadian imports because Canada continues to hamper sales of U.S. D-grade and Southern pine veneer plywood.

Broderick said wholesalers in Canada regularly label shipments as coming from provinces where there is no tax when in

(Continued on page 81)

NEWSBREAKS

SUTHERLAND LUMBER IS SAID TO PURSUE CENTRAL HARDWARE: *NHCN* has learned from sources familiar with both companies that a faction within the Kansas City, Mo.-based Sutherland has expressed interest in purchasing the 38-unit Central, which has been put on the block by its parent, Interco.

Sutherland is said to be competing for Central with Handy Andy Home Improvement Centers, the Schaumburg, Ill.-based retailer which sources said has also eyed Central for possible acquisition.

INDUSTRY UPDATE

Vila close to signing new TV deal

NEW YORK — Bob Vila could soon be back on TV again.

The former star of "This Old House" reportedly is close to signing a deal to host a nationally syndicated home repair program that, according to Vila's lawyer, could garner ad support from such companies as Andersen Window, Glidden, Peachtree, Pella, Kohler and Delta Faucet.

Advertising Age, in its April 17 issue, quotes attorney Ronald Feiner as saying that his client, Vila, has been "inundated" with offers after his contract for "This Old House" was not renewed by public TV station WGBH in Boston (*NHCN*, April 24).

The station was displeased with the number of companies Vila was endorsing, and reacted to complaints by The Home Depot and other home center chains sponsoring its show regionally about Vila's appearing in ads for Rickel Home Centers. Home Depot pulled sponsorship of the show in 17 markets, which has totaled $500,000 to date, said *Ad Age*.

L-P exec receives NAWLA award

TUCSON, Ariz. — Harry A. Merlo, chairman and president of Louisiana-Pacific, is the recipient of the 1989 John J. Mulrooney Memorial Award from the North American Wholesale Lumber Association (NAWLA).

Honored for his service to the forest products industry, his service to the community and society, Merlo received the award April 18 at the NAWLA annual meeting here.

Merlo, 64, was an architect of the spin-off of Louisiana-Pacific from Georgia-Pacific in 1973. Over the last 16 years, he has guided L-P as the firm's sole president and ceo as it has grown to more than $2 billion in sales.

Dexter recalls door deadbolts

AUBURN, Ala. — Dexter Lock Co. has announced a voluntary recall of its Dexter deadbolt door locks manufactured beween April 1, 1988 and October 31, 1988.

The company announced a number of deadbolts manufactured during that time contain a pin which may break, causing the deadbolt to remain locked. Dexter said it would replace the locks free of charge.

Consumers who bought the Dexter deadbolt or had it installed after March 31, 1988 should call Dexter at 1-800-637-3638 to arrange replacement.

STOR set to debut first mall store

CITY OF INDUSTRY, Calif. — STOR, the contemporary home furnishings retailer launched in 1987 by former Ole's Home Center ceo Harvey G. Knell, plans its third outlet, a 180,000-square-foot retail warehouse facility to open this summer in a new wing of Del Amo Fashion Center in Torrance.

This is the first time STOR has located one of its giant outlets in a shopping mall. Del Amo is the largest enclosed shopping center in Los Angeles County. The other freestanding STOR locations are in City of Industry and Tustin.

The privately held STOR, which features European-style home furnishings and is similar to IKEA on the East Coast, "is running ahead of its sales projections" said a company statement. No sales or profit figures were disclosed.

K mart's first sports store opens

SAN ANTONIO, Texas — K mart's first Sports Giant—a new warehouse-style membership sporting goods format—opened April 6 in Madison Heights, Mich. A second Detroit market Sports Giant will open in Livonia, Mich., in May. It is being developed by Builders Square.

The first, 50,000-square-foot warehouse features an assortment of hardlines, apparel and footwear. Anybody may shop at Sports Giant, but unrestricted memberships are available at $10 per family, offering prices 5 to 10 percent lower than non-member prices.

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Interco willing to lower asking price for Central Hardware unit

By an NHCN staff editor

ST. LOUIS — With just 90 days to raise an estimated $380 million to $420 million, Interco, the $2 billion conglomerate here, reportedly is willing to accept a bid lower than its $312 million asking price for its 39-unit Central Hardware home center chain.

Sources report the price Interco wants for Central, which has been published previously, is "on its way down. Interco "might be in store for some surprises" if the corporation thinks Central will sell for $312 million, a senior industry source said. Central just underwent a yearlong remerchandising of its stores.

No one contacted by *NHCN* could place a price tag on Central and Witte Hardware Co., a St. Louis hardlines wholesaler carried on Central's books. The last investment firm to follow Interco, Newhart Cook in St. Louis, has stopped its coverage of the company's stock, said analyst Lawrence Day.

Interco, which reported disastrous year-end sales April 10, must pay $600 million to a consortium of banks Aug. 7 as partial repayment of $1.95 billion in debt it took for a recapitalization plan. The publicly traded Interco took on the debt last November to thwart a hostile takeover attempt by the Rales Brothers of Washington, D.C.

As part of its asset sale financing agreement, Interco was reluctantly willing to part with its Ethan Allen furniture division for an estimated $600 million to $1 billion (*NHCN*, Oct. 17, 1988). But the sale never took place, according to Ethan Allen management.

In fact, Interco sold only two of the 16 companies it announced were for sale last year: it got $42 million for the Biltwell apparel company of St. Louis and $178 million for its Londontown (London Fog) label of Eldersburg, Md.

Interco was loathe to place retailer Central and wholesaler Witte Hardware Co. on the block. But when other asset sales fell through, Central came up as a prime candidate with Ethan Allen.

(Continued on page 83)

Dail leaves HQ Warehouse in the midst of expansion plans

By an NHCN staff editor

VIRGINIA BEACH, Va. — David Dail, former vp and general merchandise manager of Home Quarters Warehouse, joined The Home Depot on April 17.

Dail became the Atlanta chain's merchandiser of lumber and building materials for the Northeast division and reports to Denis Ryan, vp-merchandising for this region.

"I believe it's a good career opportunity," said Dail. "Home Depot is a dynamic company and *the* leader in the industry."

Dail resigned from Home Quarters on March 30 and his departure comes at a time when that chain is accelerating its expansion to double its store count over the next two years.

Neither Home Quarters nor its parent company, Hechinger, was available for comment.

Dail had been with Home Quarters since the concept was developed by W.R. Grace in Oct. 1984. After the company was purchased by an investment group headed by Bernard Kosser and Frank Doczi in the fall of 1985, Dail, along with other executives in the company, became minority stockholders. He continued with the company after its purchase by Hechinger in Feb. 1988.

Dail's experience in the home center industry includes positions with Lowe's, the North Wilkesboro, N.C., chain, where he spent over nine years and West Building Materials, which he left in 1984 as vp-merchandising.

"We're always looking for the very very best people in our industry. We think David fits that description," said Jim Inglis, executive vp-merchandising for The Home Depot.

BE remains intact as Wickes' owners ponder investor deals

By Brad Altman

LOS ANGELES — Builders Emporium is the only remaining retail chain that the new owners of Wickes Cos. have not yet divested following the corporation's agreement to sell Orchard Supply Hardware to an investment group that included Orchard's management.

Informed sources indicate the 120-unit BE chain could be sold to BE management with the help of outside investors. Similar approaches were used in the decisions to sell 31-unit Orchard and 23-unit Wickes Furniture.

"There is no question that BE management would like to do what OSH did," one source said. However, a second source said BE "management can't raise the money" to mount a deal.

McNulty bid 'too low'

A group headed by industry veteran Bob McNulty made a bid for Irvine, Calif.-based BE (*NHCN*, March 27), but it "was too low," McNulty said. "We haven't withdrawn our offer, but they want a higher price."

John Kutler, a Wickes board member and principal in the Century City, Calif., offices of Wasserstein Perella Partners L.P., was not available for comment. Earlier he had said that the divestitures of BE, OSH and Wickes Furniture "could close by early May."

An investor group including the management of OSH led by president and ceo Maynard Jenkins, signed a definitive agreement April 12 to purchase the San Jose, Calif.-headquartered chain from Wickes for $134 million, including assumed debt and other obligations.

(Continued on page 81)

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Photos by: Chuck Slade.

wastes too much of my time waiting with people who don't know what they want," said Robert Alden, remodeling contractor based in Patchogue, N.Y. "I am constantly here picking up building materials."

The contractor sales counter connects with the lumber sales counter in the store and the contractors have a separate entry into the showroom.

General has also expanded locks, power tools and heavier hardware to meet the needs of the trade. The store's focus remains narrowly defined with an estimated total of 8,000 items.

"We stocked the store as much with an eye to the contractor trade as the consumer," said Bob DiAntonio, branch manager at Medford.

At a pre-opening ceremony on March 17, stockholders, bankers, vendors and contractors rubbed shoulders as General departed from the traditional opening by honoring the 250 volunteer firemen who fought the blaze.

Meltzer unveiled a plaque to the firefighters in the presence of Bill Hart, chief of the Medford fire department, and John Masem, assistant chief. This will remain permanently on display in the store.

Standing in the bright new building it is hard to imagine the fierceness of the fire which destroyed the original 8,000-square-foot store and adjoining 50,000 square foot warehouse for more than $4.5 million in damages. The glass block walls of the main office just 15 feet from the store cracked with the intense heat. Amazingly, the building where the company's main computers are remained untouched.

Kitchen and bath vignettes demand large space investment of dealers

By Brad Altman

NATIONAL REPORT — Home improvement dealers are responding to the increasing demand among DIYers and professional tradesmen alike for kitchen and bath products by expanding their lines and the amount of floor space dedicated to their display.

Millwork, lighting, skylights, paint, and other products are beginning to make their way into display areas next to kitchens and baths as part of the larger project marketing (*see other story*). Consequently, dealers have found they simply need more space to accommodate this merchandising effort.

Underscoring the growing interest in this booming market, Diamond Lumber is making an unprecedented commitment to the kitchen category in three stores located in Fresno, Calif., Lenexa, Kan., and West Hartford, Conn.

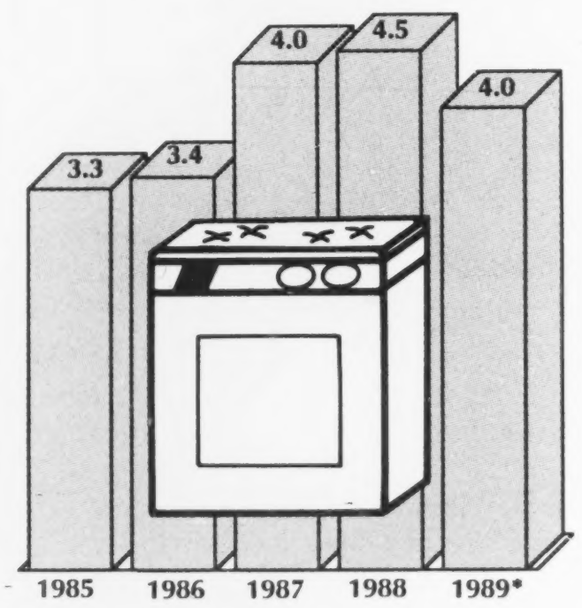
Diamond Lumber president Jerry Grubstein said the chain is testing whether such emphasis on kitchens can be justified from a return-on-investment standpoint. In Fresno, for instance, fully one-third of the 23,000-square-foot store is devoted to 12 kitchen vignettes as well as related millwork products.

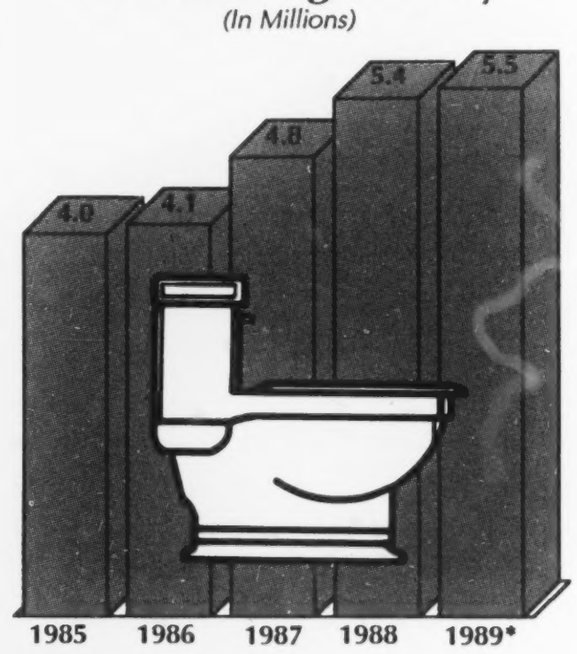
Other dealers are moving more boldly into showcasing these products, and in many cases are well ahead of their chain counterparts in kitchen and bath displays. Retailers such as two-unit Lumbermen's in Palm Springs, Calif., and single-unit Eastern Lumber Co., Amesbury, Mass., are reporting success with freestanding kitchen and bath outlets that are physically separated from their regular showroom sales floor.

Since late 1987, Eastern Lumber has operated a 12,000-square-foot freestanding kitchen and bath center, which contributes about 10 percent of the company's $14 million sales. To garner even greater volume, the center has been expanded to 18 full-line kitchens from 12.

Lumbermen's Building Center in the California desert continues to see robust sales generated at its 1,600-square-foot freestanding kitchen center located adjacent to the flagship store's main showroom.

Alice Slettedahl, Lumbermen's kitchen specialist, said the retailer finds that its kitchen and bath sales are overwhelmingly focused on the kitchen remodeling arena. Consequently, there are 12 kitchen vignettes but only two bathroom vanity displays.





*projections

Source: National Kitchen & Bath Association NHCNChart

Kitchen and bath remodeling will level off temporarily in 1989, according to data compiled by the National Kitchen and Bath Association. However, NKBA's executive director Francis Jones foresees long-term annual growth of between 8 and 10 percent.

Indeed, even more optimism about the strength of the market was detailed in a fall, 1988, Simmons study entitled "U.S. Profile of the DIY Consumer" which found that 6 percent of all U.S. adults—or 1,215,000—had engaged in remodeling their bathrooms in the previous 12 months; 4.52 percent had redone their kitchens.

Showing higher-end products

Hayward Lumber, a seven-unit retailer headquartered in Salinas, Calif., also separates its Home Design Centers—which specialize in kitchen and bath—from its full-line home centers.

"The faucets we show in our Home Design Centers sell for $281," explained kitchen cabinet division manager Dan Peterson. "We don't want to merchandise them in our regular showroom next to $49.95 faucets."

Peterson said the regular showrooms have limited selling space and sometimes, in an effort to "make efficient use of space," might "place toilet seats right next to a kitchen vignette. That is not appealing."

Even retailers that have severe space shortages are finding ways to expand their kitchen and bath departments.

At two-unit, contractor-oriented Burt Building Materials Corp. in Huntington, N.Y., vp John Marino said a kitchen and bath department will be added to an existing 3,000-square-foot store in Huntington Station later this year. Another Burt Building Materials store on a one-acre site is being expanded but won't have a kitchen and bath department. Customers wanting those products will be referred to the Huntington Station outlet located three miles away, Marino explained.

Single-unit Timbermart, a 25,000-square-foot home center in Seabrook, N.H., has increased its kitchen and bath emphasis "dramatically" since opening a new store a year ago, Ann Lynch, kitchen designer, said. Timbermart has 22 full kitchens compared with seven kitchens in the old store. There are also 20 bath vignettes, Lynch added.

Timbermart decided to make the commitment to this category because of its "higher profit" potential than less service-sensitive departments such as hardlines, Lynch said.

For many independents, these showrooms are designed specifically as places where their professional clients can take homeowners to see kitchens and baths in "real" settings.

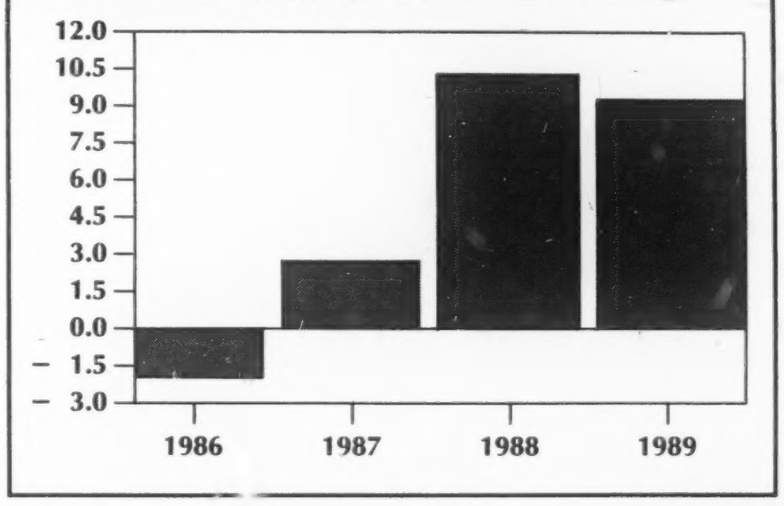
Curt Gomes, Diamond's western district manager, said the kitchen and bath department his chain is adding to three stores is intended to appeal to professional builders and remodelers, who are key Diamond customers. Nearby are meeting rooms for contractors to discuss projects with their customers.

The vignette approach will let "customers see how the products are going to look in their homes," Diamond's Grubstein said. Most of the selling floor is devoted to millwork, moldings, doors and windows, kitchen and bath; only 25 percent is devoted to hardlines.

Business Watch

Section 4

Strength in capital spending . . .



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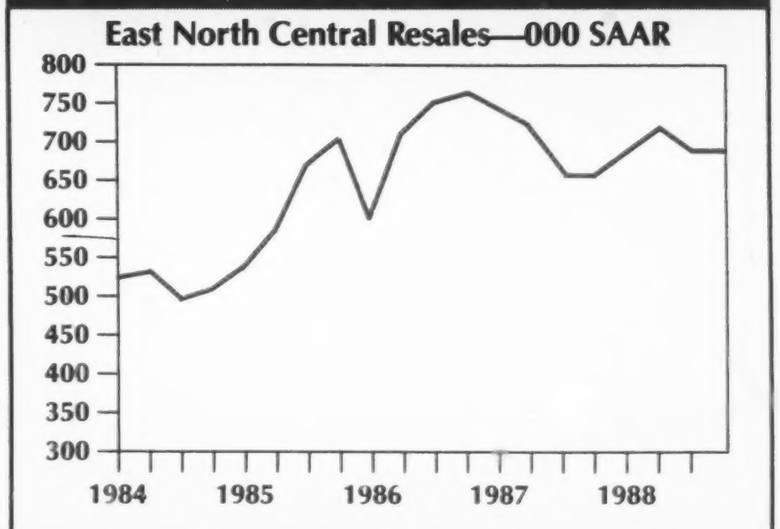
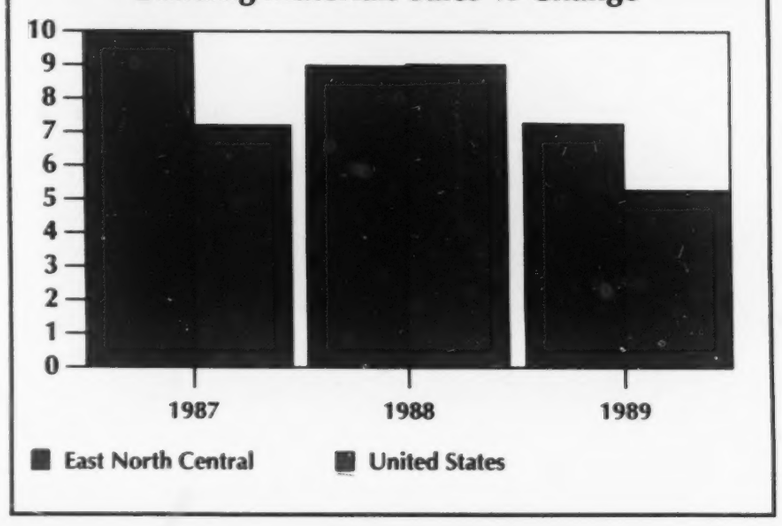


. . . will keep East North Central market strong in '89



Capital spending will lift industry sales in East N. Central states

By Richard E. Mount
Special to NHCN

Building material sales in the East North Central states will increase 7.1 percent in 1989, faster than the 5.2 percent national average. Adjusted for expected price increases, the regional gain will be 2.9 percent. This would be in contrast to 1988 when East North Central sales rose 8.9 percent, in line with the 9 percent national advance.

Richard E. Mount

Capital spending will again be the driving force behind the region's economy. National capital spending increased 10.3 percent in 1988, and current surveys for 1989 suggest a further gain of 9.1 percent. This 9.1 percent gain for 1989 investment spending intentions is up from the previous estimate of 6 percent made at year-end 1988.

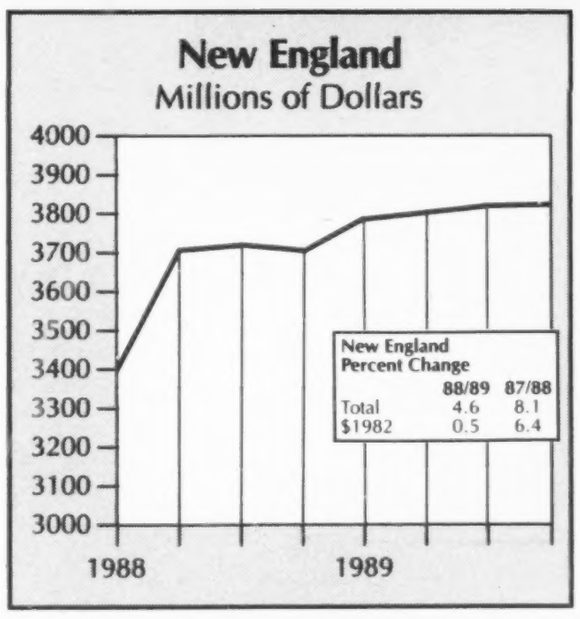
Some analysts are concerned about the slowdown in manufacturers' new orders and shipments in recent months in what they herald to be a weakening in the economy. However, excluding defense-related items, shipments are 10.8 percent higher than a year ago and unfilled orders 18.1 percent.

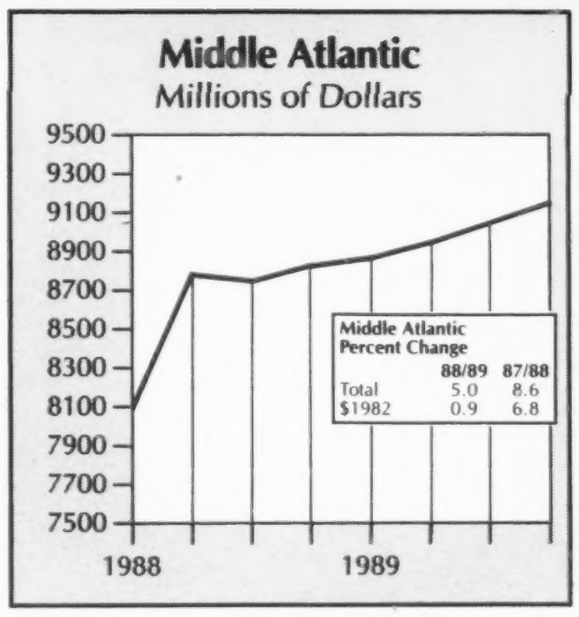
As corporations continue to experience increased capacity constraints, as output rises, balanced against higher interest rates and fears of a business slowdown, they are opting to increase investment rather than retrench. This higher level of investment will spur the national economy and the East North Central region, in particular, boosting retail building material sales.

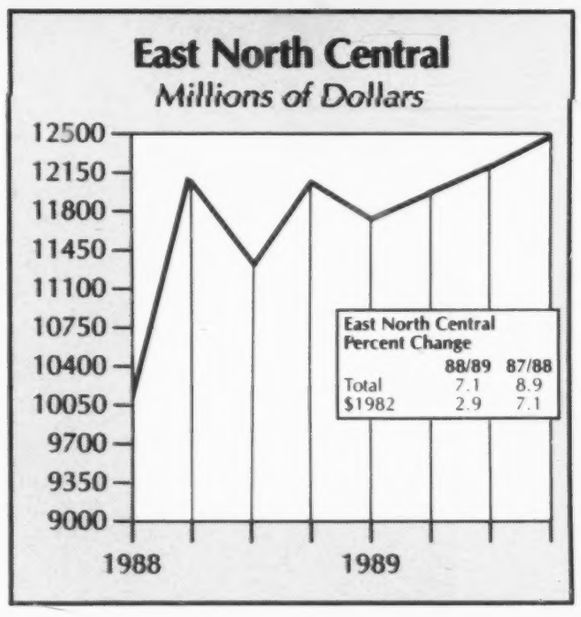
Resale activity also points to East North Central strength. Resales are the best leading indicator of future building material sales activity. In the latest three quarters, resales in the East North Central region are up 6 percent from the prior three quarters. The rest of the country, however, is up only 3.3 percent.

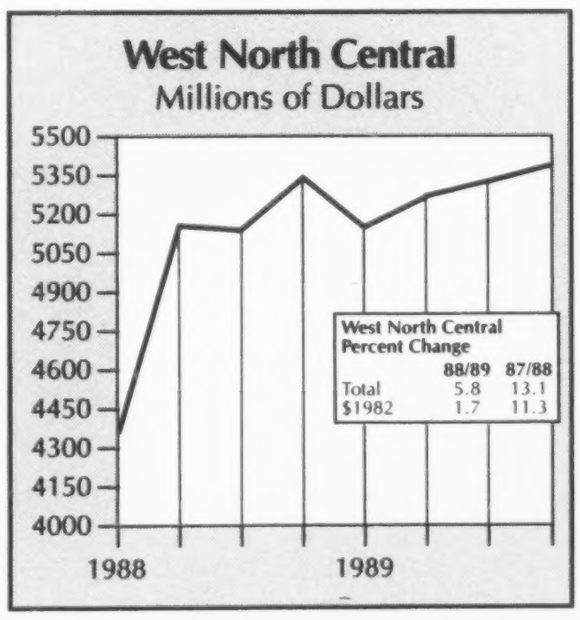
Richard Mount is president and chief economist with Mount Economic Consulting.

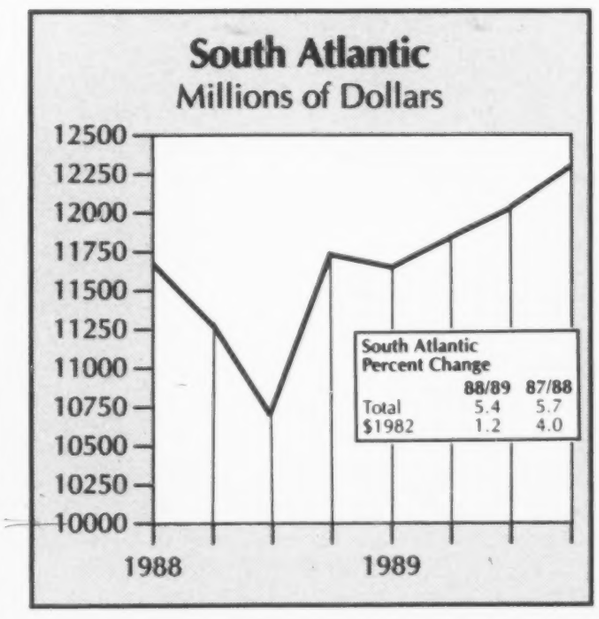
Regional Outlook: Building Material Sales

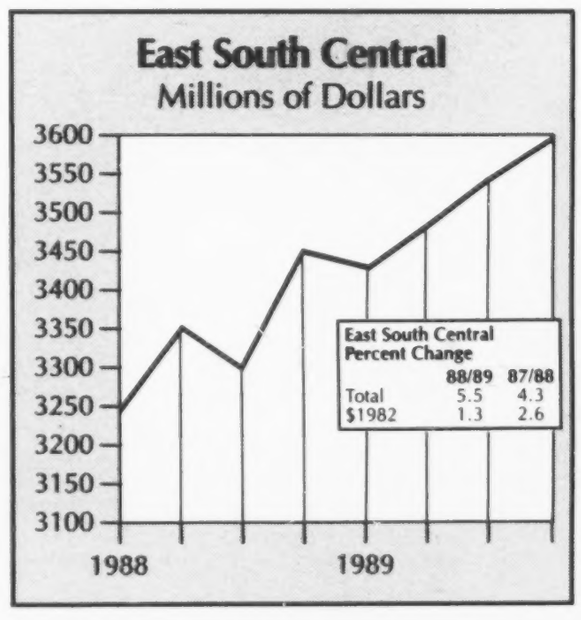


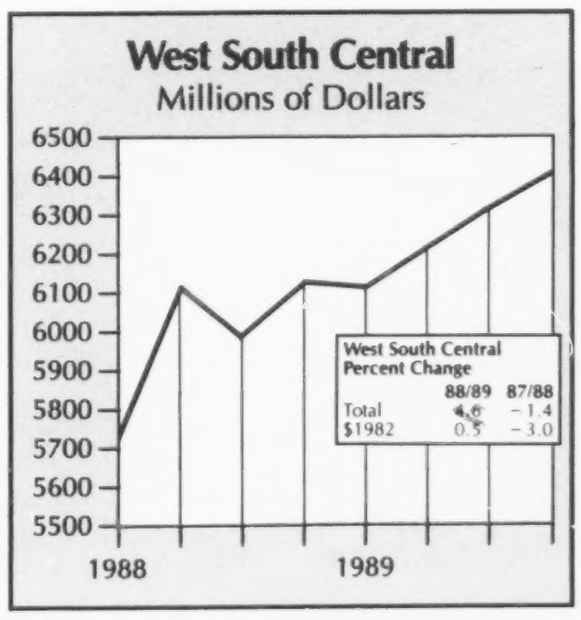


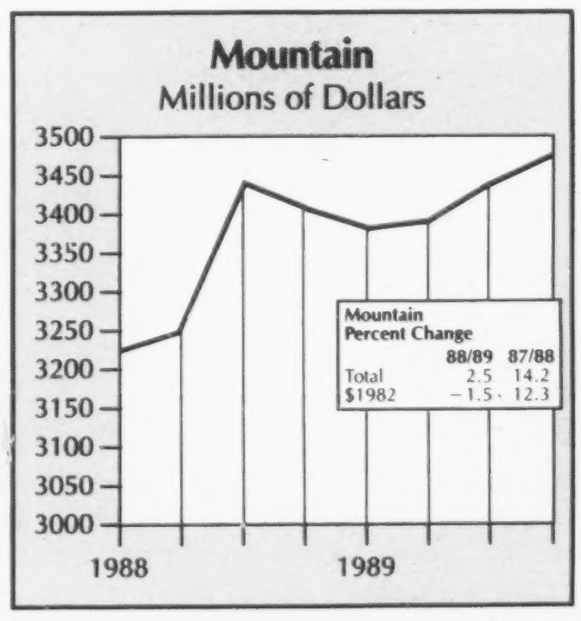


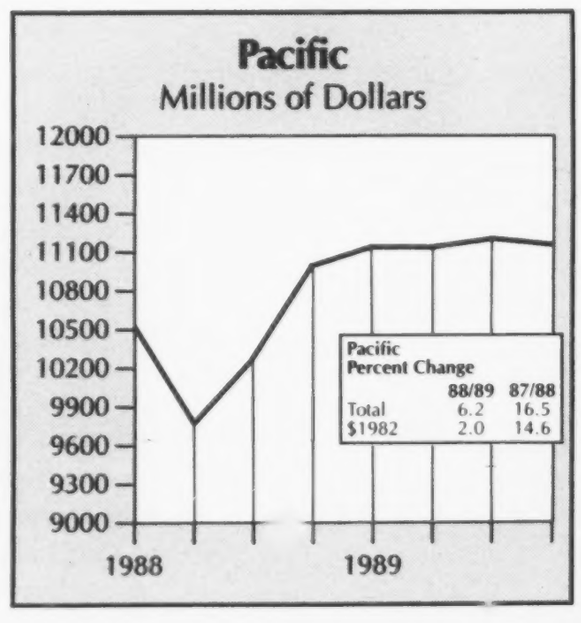












Data: Dept. of Commerce
Bureau of Labor Statistics
National Association of Realtors
Dept. of Housing and Urban Development

The Home Center Industry Outlook runs in two parts, one each month. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material and supply store sales.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart

Retailer liability expands under OSHA hazard rules

By Deane Evans

WASHINGTON — Home center chains will be required to provide special training for employees who handle merchandise containing potentially hazardous chemicals, according to the latest interpretation of new Federal "hazard communication" rules.

Even items such as pesticides, fertilizers and cleansing agents stocked in sealed containers for resale to consumers will trigger the new workplace disclosure and training rules, according to Federal Occupational Safety and Health Administration (OSHA) officials.

The primary focus of this rule is to ensure that employers provide safety information and training to all workers who use hazardous substances in the workplace. Originally, home center industry leaders assumed that retailers who only stock these chemicals for resale would be exempt from those requirements.

At a meeting with OSHA late last year, National Retail Hardware Association and Home Center Institute managing director David W. Loving said "we are under the impression that in the revised ruling . . . the standard will exempt retailers from maintaining MSDSs [material safety data sheets] for consumer products in a workplace where hazardous substances are merely handled in unopened containers."

According to NRHA vice president Hal Marsolais, during that December meeting OSHA confirmed that the agency "was willing to exempt" retailers from MSDS requirements for consumer goods in sealed containers.

Retailer liability expands

However, in a recent interview with *NHCN*, OSHA officials made it clear that retailers are specifically required to maintain any manufacturer-provided MSDSs and provide "emergency exposure" training for stockroom workers and other employees who handle merchandise containing hazardous substances.

In addition, they said that retailers and other distributors must obtain MSDSs not automatically provided by manufacturers if employees request them.

Significantly, OSHA told *NHCN* that even if the manufacturer does not provide safety data sheets, the retailer will be held responsible for identifying potentially hazardous products through label information and will be expected to train affected workers.

> "[OSHA] was willing to exempt retailers from MSDS requirements for consumer goods in sealed containers."
>
> —**Hal Marsolais,** *vice president, NRHA*

A separate provision of the standard of particular concern to the home center industry requires retailers to pass on hazardous product safety data sheets to "downstream" employers, including commercial accounts (*e.g.* small contractors who purchase supplies at home centers).

According to NRHA leaders, the average home center stocks more than 3,000 products containing ingredients considered hazardous under the OSHA standard. And since every home center has "commercial" customers, each store would therefore be obliged to maintain and pass on MSDSs on more than 3,000 products, they said.

Charging that OSHA seriously "underestimated the potential administrative and financial burden of its rule on the nonmanufacturing sector," industry officials said the regulation will cost home centers $120 million the first year.

General worksheet sought

NRHA's Marsolais said home center officials are negotiating with OSHA to develop a "generic MSDS" such as a general pamphlet for each of the five hazard categories, which could be provided to commercial customers to satisfy OSHA safety data requirements.

Under other provisions of the broad-based standard, all employers are required to maintain and pass on MSDSs to workers, provide a written hazard communication plan and train employees about products containing hazardous chemicals which they will use on the job.

A separate provision which may ease the compliance burden for employers exempts "consumer products" such as cleaning materials which are used "in a duration and frequency of exposure which is not greater than exposures experienced by consumers" in normal use.

Nevertheless, prudent home center operators should follow hazard communication requirements for these materials because industry use of such products may well involve greater exposure levels than household use, according to OSHA.

For example, agency officials said, an employer might not need to provide a safety data sheet for a can of cleanser used to clean the sink in an employee restroom. However, the employer should provide an MSDS if the product "is used in large quantities" to clean equipment.

OSHA is already inspecting workplaces for compliance with new Federal rules, but is still accepting comments on the regulations. The agency is expected to amend the rules this summer.

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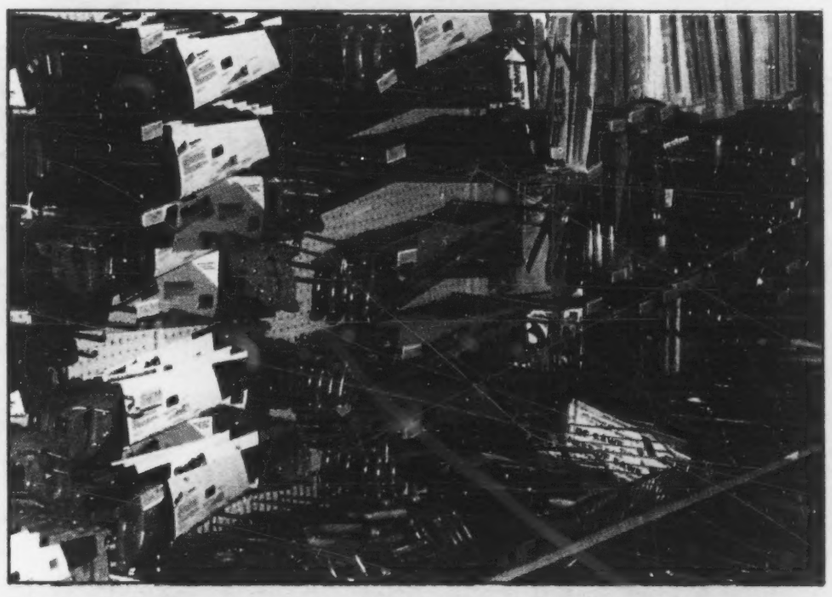
ANNUAL CENSUS

HARDLINES WHOLESALERS



The industry's top 75 full-line hardlines wholesalers enjoyed strong sales growth in 1988, generating an aggregate $2.97 billion, or about an 8 percent gain over the previous year. To expand their business, these wholesalers are offering a raft of services, and are linking up with their customers electronically to quicken the flow of goods through the pipeline. See page 11

Central to remain intact after its acquisition by Handy Andy

By Gary S. Ruderman

ST. LOUIS — Management of retailer Central Hardware and wholesaler Witte Hardware will seek an equity stake in their companies prior to their being sold to three investment partners.

NHCN confirmed that Jim Cohen, president of the 38-unit Central Hardware; Neil Marglous, president of the $75 million Witte Hardware, and other senior managers are seeking an ownership position.

Central and Witte have agreed to be sold to AOK Corp. of Delaware, which is comprised of Salomon Brothers, the New York investment banker; Handy Andy Home Improvement Centers, the 49-unit chain based in Schaumburg, Ill.; and Handy Andy's parent GIB Group of Belgium.

The combination of Central and Handy Andy would produce a chain of 88 units operating in seven Midwestern states and that did $645 million in sales last year, which would make it the industry's 10th largest retailer in terms of sales by *NHCN* estimates.

Ronald Rashkow, chairman of Handy Andy, confirmed that Cohen, Marglous and others will have "participation in the equity of the company." The deal is proposed to go through by June 12.

Handy Andy
At a Glance
Headquarters: Schaumburg, Ill.
1988 sales: $370 million (est.)
Stores: 49
Avg. showroom size: 68,000 square feet
No. of skus: 25,000
Employees: 4,500
Ownership: 65 percent owned by GB-Inno-BM

Central Hardware
At a Glance
Headquarters: St. Louis, Mo.
1988 sales: $275 million (est.)
Stores: 38
Avg. showroom size: 65,000 square feet
No. of skus: 40,000
Employees 3,500
Ownership (before takeover): Interco Co.

Few changes anticipated

In a move anticipated since February, Handy Andy and its partners signed an agreement May 8 to purchase Central, based here, for slightly more than $245 million.

Cohen and Rashkow, speaking at a press conference in St. Louis on May 10, assured employees that

(Continued on page 45)

K mart cleans house at Builders Square as two founders resign

By Elizabeth Brent

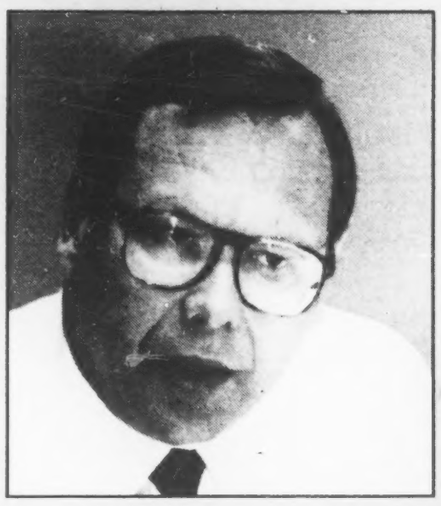
SAN ANTONIO, Texas — In a sudden move, two of the original founders of Builders Square left the company on April 29.

Jud Walford and Frank Powers, both executive vice presidents, have been with the Builders Square since its inception in 1983. Together with Frank Denny, they left W.R.Grace in 1983 to start Home Centers of America. After a name change and expansion to nine stores, Builders Square was sold to K mart in 1984 for $90 million.

Reportedly the contracts of all three executives were up for renewal in September. It was not known at presstime whether Denny, chairman and ceo of the 137-unit chain, will also be leaving the company.

Powers could not be reached for comment, and Walford said he had signed a confidentiality agreement not to discuss the details of his departure. Builders Square declined to elaborate on the departures. K mart officials were expected to name replacements for Walford and Powers the week of May 12.

The departure took the industry by surprise, even though Builders Square has been in transition since Glen Mielke was appointed its chief operating officer on January 1. Mielke was formerly a vp for K mart's southwestern region, and is best known in this industry as serving as the liaison between K mart and Hechinger in their ill-fated "Home Team" joint venture.



NHCN photos

Jud Walford (left) and Frank Powers, both of whom have been with Builders Square since its inception, have left the chain.

Mielke's arrival at Builders Square resulted in management shuffles which directly affected both Walford and Powers. It also placed Mielke in charge of operations reporting directly to Denny.

Walford, formerly executive vp-operations, was reassigned to executive vp in charge of merchandising and advertising, reporting directly to Mielke. Powers, formerly chief merchandising officer, became the executive vp overseeing administration and store setup.

The two men were instrumental in Builders Square's rapid expansion, which in one year, 1987, saw the company open 50 new stores. The chain, with sales of $1.7 billion in 1988, also became profitable for the first time last year, thereby shaking off the industry's biggest criticism of the warehouse operator.

It is assumed, though, that K mart in general and Mielke in particular will be focusing this year on the bottom line to an even greater degree.

Protection of 'threatened' owl endangers timber industry

By Gary S. Ruderman

PORTLAND, Ore. — In a far-reaching decision, the U.S. Fish & Wildlife Service began designating the Northern spotted owl a "threatened" species, and has halted for up to a year any cutting on 40 percent to 60 percent of the available, old-growth Northwestern timber on public lands.

Conservation effort could affect up to three billion board feet of lumber. Industry officials said mill closings and shortages of some Western species could result.

The immediate impact on retail lumber sales and prices will call for a 30- to 60-day jump in Western species prices, according to mill operators, wholesalers and brokers, although no one would hazard a guess about the cost in dollars. The long-term impact is expected to result in mill closings, layoffs and market shortages of Western species during the next year.

The late April decision affects between 1.9 billion and 3 billion board feet of coastal old growth stands among the estimated 5 billion board feet on public lands sold annually in Washington and Oregon. A decision on additional acreage set aside for owl habitat in California is expected.

According to the Western Wood Products Association, 42.4 percent of U.S. lumber sales come from the three targeted states.

"The industry is endangered, not the bird," exclaimed Luke Popovich, vp of communications for of the National Forest Products Association in Washington. "We es-

(Continued on page 46)

NEWSBREAKS

NRHA CUTS STAFF IN RESTRUCTURING: National Retail Hardware Association, based in Indianapolis, has eliminated its retail store design division and the marketing support services department in a refocusing move May 5. The association confirmed that about 22 people were cut from the staff, but its officials did not comment beyond this at presstime.

INDUSTRY UPDATE

Home Depot offers $200M in bonds

ATLANTA — The Home Depot has filed a registration statement with the SEC for a proposed offering of $200 million of interest-bearing bonds.

Ronald M. Brill, senior vp-cfo of The Home Depot, said it is "the largest [fund-raising] deal we've ever done," adding that The Home Depot plans to use the net proceeds for store expansion over the next two years as well as for "general corporate purposes."

The First Boston Corp. and Invemed Associates will be co-underwriters of the offering which will consist of convertible subordinated debentures due 2014.

A company statement said The Home Depot may apply a portion of the proceeds to pay outstanding amounts under its revolving credit agreement and invest the remainder in interest-bearing securities.

Brill told *NHCN* that the proposed offering has been "very well received" by the financial community.

Georgia-Pacific names new pres.

ATLANTA — Georgia-Pacific has named a new president and a vice chairman.

Ron Hogan, 48, a 24-year veteran of the forest products company who most recently was head of its building materials division here, was elected president and chief operating officer effective July 1.

He is filling the slot left open after the promotion of Harold Airington to the new post of vice chairman. This is the second time Hogan and Airington have moved up the corporate ladder simultaneously. When Airington, now 61, became G-P's president in February 1988, his position of executive vp-building products was filled by Hogan.

Airington has been with G-P since 1955, when he joined the company as a wood products salesman.

Hogan and A.D. Correll, G-P's 48-year-old executive vp-pulp and paper products, are expected by industry analysts to be in line for the company's top posts when its senior managers retire.

Busy Beaver to open new outlet

PITTSBURGH — Busy Beaver, the 16-unit home improvement chain based here, plans to open another outlet in the Pittsburgh suburb of New Kensington July 1.

The company's president, Charles Bender, said the store will have "32,000-plus" square feet. Workmen, he said, have already laid the building's foundation and are erecting its steel frame. "The rest will go fast now," he said.

Busy Beaver, with stores throughout Pennsylvania and in upstate New York and Ohio, did $75 million in sales last year. Its major competitors in New Kensington, Bender said, will be Builders Square and 84 Lumber.

Masco merges with Universal

TAYLOR, Mich. — The Masco Corporation enhanced its position as a major furniture supplier with its $490 million merger with Universal Furniture Limited. Richard Manoogian, Masco chairman and ceo, said Masco's and Universal's combined annual sales of home furnishing products will approach $1.5 billion.

Universal, the largest supplier of dining room furniture in the nation, had 1988 net sales of $472 million and net income of $31 million. The company also manufactures bedroom and occasional furniture and, under its Bench Craft brand, a broad assortment of upholstered furniture. The company has manufacturing operations in 10 countries in North America, Europe and Asia.

In 1988, Masco had net sales of $2.4 billion and net income of $288 million.

"Masco's strength in the higher end of the furniture market, combined with Universal's leading position in the popular-priced market, makes for an exciting strategic fit," said Laurence Z.Y. Moh, Universal chairman and ceo, in a prepared statement. "I believe there are very significant future opportunities for the combined companies."

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Poulos leaves Lampert Lumber

By an NHCN staff editor

ST. PAUL, Minn. — Lampert Lumber officials were reluctant to discuss last month's departure of George Poulos as president of the 44-unit chain based here.

F. Joseph Hayes, Lampert Lumber ceo, would only confirm Poulos has not been with the company since April 24.

Contacted at his home, Poulos expressed an interest in staying in the home improvement industry, but he would not discuss circumstances surrounding his departure.

It could not be determined at press time whether Poulos had left the company of his own volition, although his departure came as a surprise to industry observers.

George Poulos has left his position as president of Lampert Lumber. NHCN photo

Poulos, a 34-veteran in building materials marketing, joined the company in 1984 and became its president in 1986. Last summer, Poulos, Hayes and Josh Hulce, as officers of the then-newly formed LLC Holding Company, purchased the chain.

"I'm reviewing all of my options," said Poulos. "I'd like to stay in the industry, but when, where and in what capacity, I'm not in a position to say." He would not discuss his departure or business at the company since the purchase.

Poulos' position will not be filled, said Hayes, who has "been spending a great deal of time" between his office in Denver and the Lampert office here. All senior management at the headquarters in St. Paul reports to Hayes.

Hayes and Hulce are both Denver businessmen who remained in that city after the purchase last year.

Hayes said Lampert Lumber is always looking at new strategies but added, "there is nothing specific at this time."

With no heirs, Sodisco owners sell out

By an NHCN staff editor

MONTREAL — Faced with the lack of interested heirs, brothers Michel and Jacques Auger sold their majority share in Sodisco, Canada's largest independent hardlines wholesaler for an estimated $107 million (Canadian).

Unigesco Inc., a publicly traded Montreal management company with extensive holdings in distribution and retail, acquired the majority of the 12.7 million outstanding shares of the Augers' company, which is also public, in a friendly takeover May 5. The Auger brothers held 78.6 percent of Sodisco's stock.

Unigesco's $136 million (Canadian) bid for all of the company's stock, backed by bank loans, commenced April 12. For each Sodisco share tendered, it offered $9 in cash and $1.75 in dividends. Sodisco's common stock was trading at

(Continued on page 45)

Nuway to resite DC to Omaha

By an NHCN staff editor

OMAHA, Neb. — Nuway Distributors this summer will relocate its Denver distribution center into a new 35,000-square-foot DC in this city, a move that will give the cash and carry distributor better access to dealers to which it plans to market Pro Hardware's programs.

Nuway, based in Baltimore, became affiliated with Pro, the Stamford, Conn.-based wholesaler marketing organization, in January. As part of that agreement, Nuway was licensed to sell Pro's programs—which include store remodeling, circulars, and other services—to dealers in western Iowa, eastern Nebraska and southeast South Dakota.

Gary Cohen, Nuway's president, told *NHCN* that his company wanted to be "better positioned" geographically to market Pro's programs. The problem was that the distributor's 20,000-square-foot Denver DC was neither large enough nor centrally located for the dealers Nuway anticipated signing up.

On April 14, the Denver facility was closed, and the company expects to begin shipping out of the Omaha unit on June 4. During the six-week down time, dealers who were buying out of Denver will be serviced from Nuway's DC in St. Louis, Mo.

Nuway is one of several companies that Pro has corralled into its stable. The Handy Hardware Wholesale and United Hardware Distributors co-ops have become affiliated with Pro, and Allied Hardware Services, another wholesaler marketing group, merged with the company earlier this year.

Cohen called his company's affiliation with Pro a "good marriage," and said it decided to make that move to be able to offer Nuway dealers stronger store identification and circular programs. He commented that Pro's success in signing on new members is attributable to its "aggressiveness" and "open-mindedness" particularly in its willingness to accept hardware co-ops into its fold.

The Pro agreement has also spurred Nuway to begin new programs or expand old ones to accommodate its growing dealer base.

For example, the company will begin to expand its "Gold Service" delivery service in its Baltimore, Omaha and Miami DCs. Cohen said this would be added "gradually" to the company's other facilities.

In addition, Nuway will conduct its first Dealers' Show in the Baltimore Arena on Sept. 9-10.

Cohen noted that Nuway, which began as a secondary, cash and carry supplier, has emerged as a primary distributor for many of its retail accounts. "We wanted to offer new programs" to these accounts, he said.

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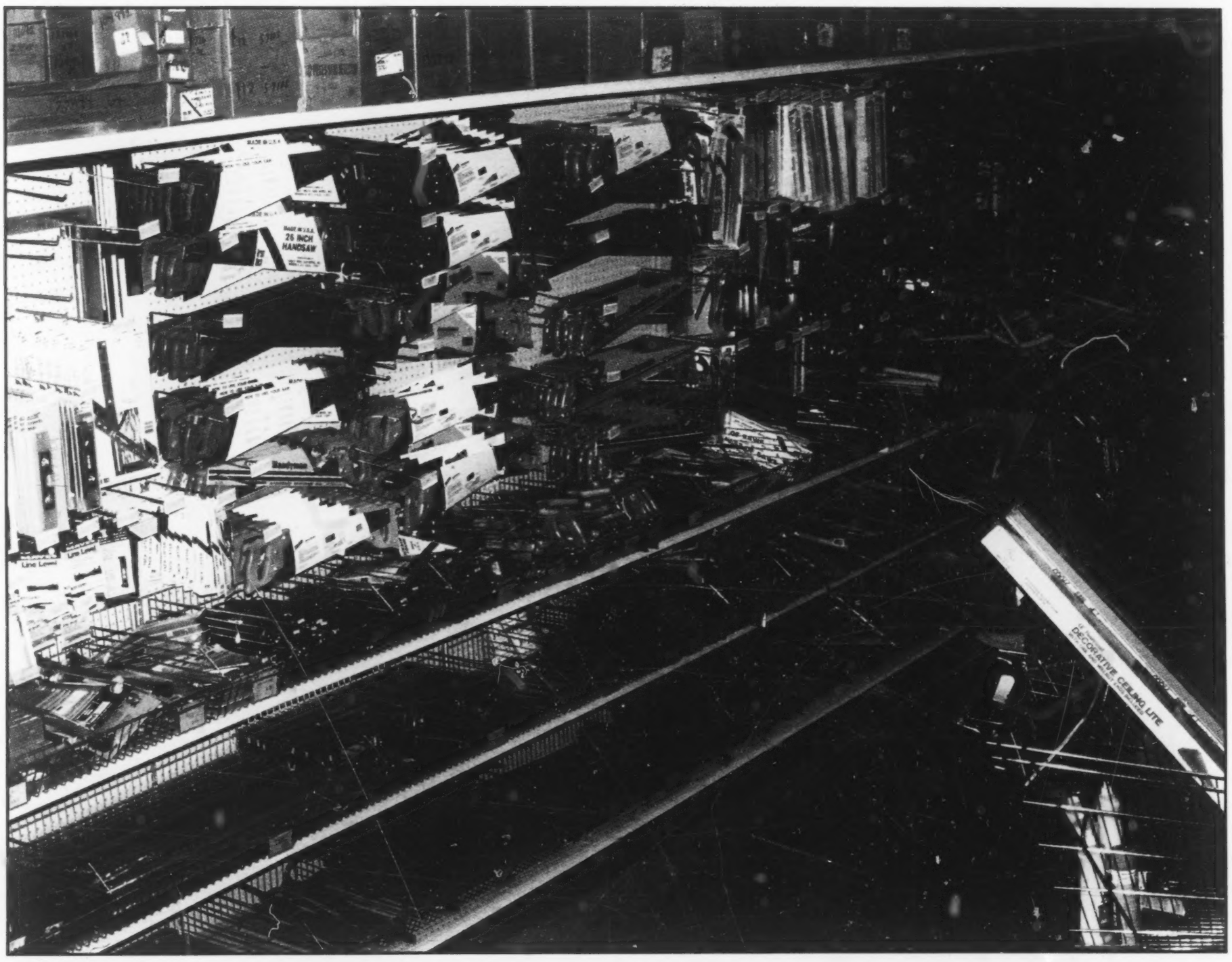
ANNUAL CENSUS

HARDLINES WHOLESALERS



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WHOLESALERS FOCUS ON AUTOMATING THE OFFICE, BUT NOT THE WAREHOUSE

Electronic order-taking expands, but bulk products block mechanized handling

By John Caulfield

When Jensen-Byrd, the Spokane, Wash.-based hardware wholesaler, built its new distribution center two years ago, it consciously decided against having it be fully automated.

"I think that you can go too far using technology," said the distributor's operations manager Jim Hart. "I don't want to take a body out of the warehouse and replace him with two systems people."

On the other hand Jensen-Byrd, like so many other distributors, has initiated a program of direct electronic order entry with a handful of retailer customers that invariably will expand. "Our company's goal is to be the easiest to do business with," Hart said.

Herein lies the paradox within the wholesaling community: A technological revolution has sprung up among hardlines wholesalers, moving them closer to their customers electronically with the help of everything from FAX machines and bar coding to computer-to-computer ordering and billing.

Yet, these advancements have not extended universally to physical refinements in the way wholesalers handle product inside their warehouses.

Many companies employ automated—and often computerized—conveyor belts and pickers, of course. But the types of products wholesalers in this industry handle—often bulk items or break packs—sometime militate against sophisticated mechanization.

"[Warehouse] automation is just not the way to go for our industry," said Mike Hottman, executive vp for Thomson-Diggs, a distributor based in Sacramento, Calif. "It's much more important to develop better systems internally."

(Continued on page 12)

Hardlines wholesalers electrify their op

No one disputes this, and nearly every wholesaler has a marketing and bottom-line stake in finding better ways to exchange information with its customers and to speed the flow of goods through its DCs.

> ‘[Warehouse] automation is just not the way to go for our industry. It’s much more important to develop better systems internally.’
>
> **Mike Hottman,**
> *executive vp*
> *Thomson-Diggs,*
> *Sacramento, Calif.*

EDI on the way

For some, the FAX machine has been a godsend. But this has its limitations. “All FAX does is clear up the U.S. mail problem,” said Terence Smith, president of California Hardware, the distributor based in City of Industry, Calif. “Computer-to-computer is the big development.”

The emergence of electronic data interchange (EDI) is still embryonic for most distributors, though it is growing at a rapid clip. Nearly 90 percent of the orders received by Hardware Wholesalers, Inc. (HWI) from its dealer-members are transmitted electronically to the buying group’s mainframe, said Larry Pensinger, marketing manager for the Fort Wayne, Ind., co-op.

Emery-Waterhouse, the Portland, Maine-based wholesaler, has several of its retailers set up to send orders and receive invoices over the wires, the most prominent being the Moore’s division of Grossman’s, Inc.

Margaret Keith, Emery’s vp-systems, said the next development would be to get more dealers on electronic automatic replenishment, with the key being the paperless transmission of purchase orders and other data with vendors, which “peels at least a week off of our lead time,” she said.

However, one of the problems in developing these systems has been that, according to Keith, “dealers are scared to death of losing control of their inventory management.”

“EDI doesn’t work unless it is a team concept,” agreed California Hardware’s Smith. “It is a total failure if there is an adversary relationship.”

Secondly, many wholesalers still sell to very small retailers whose stores aren’t equipped to handle electronic transmissions. “Most of our customers still need our 23 outside sales guys to come into their stores with Telxon machines and place the orders,” said Hottman of Thomson-Diggs.

Nevertheless, distributors are convinced that computerization of their ordering and billing is inevitable, not only to solidify their relationships with dealers, but also to improve their companies’ profitability.

“We’re not at the stage of doing computer-to-computer yet, although it is probably not too far off; maybe by 1990,” said Ed Harris, the chief operating officer of Buffalo Tool, the St. Louis-based importer and distributor.

“We have to improve our services to dealers, and it’s my belief this would give us more productivity out of our [10] warehouses,” Harris continued.

Internal improvements

Indeed, it appears that distributors are concentrating first on improving their internal systems to boost productivity before they go whole hog into EDI for their dealers.

General Hardware in Atlanta is now putting in a new computerized operating system that, according to general manager Jim Brown, “gives you on-line functions, everything from credits to your payables and receivables. It also helps our [stock] pickers by reducing the amount of inventory they are handling.”

At its Parkersburg, Pa., DC, Servi-Star, the hardlines co-op, has its warehouse employees using hand-held “terminals” that route the order picker by telling him what’s in stock and where merchandise is.

This capability is essential, because most wholesalers industrywide now seem to prefer “random slotting,” i.e., putting merchandise wherever there’s room.

“If there’s room anywhere in the warehouse, we’ll put any product into it,” said Ed Brofka, vp-distribution for Witte Hardware, the St. Louis-based distributor.

What there doesn’t seem to be room

esalers erations

Top 75 Hardlines Wholesalers Total $2.96 billion

The Top 75 Hardlines Distributors saw their sales rise 7 percent to $2.944 billion in 1988. The industry's Top 10 wholesalers captured nearly $2 out of every $5 generated in this sector, although these companies' sales growth over 1987 was slower than the total.

The average wholesaler saw a marginal increase in its number of active accounts, and there appeared to be very little changed among the distributors polled in the number of items they offered out of warehouse.

for, though, is the kind of automated, computerized warehouse that one can find in other industries, such as those serving supermarkets.

Break packs impede automation

Part of the problem for hardlines distributors is that they continue to handle so much bulk and loose products, which make automation impractical.

> "For a lot of what [hardlines distributors] sell, people can still handle the product faster than machines."
>
> **Jim Brown,** *general manager, General Hardware, Atlanta*

"For a lot of what we sell, people can still handle the product faster than machines," said Brown of General Hardware.

This was made clear at ServiStar's Westfield, Mass., DC, which includes 16 high-rise stacker cranes each run by a single operator, and an extremely advanced conveyor system that sorts products and moves them into loading areas for shipping.

The Butler, Pa.-based co-op found this facility was "too sophisticated," according to senior vp-operations Al Jeveret, particularly for the 70 percent of ServiStar's 41,000 skus that are regularly handled from break cartons, or for the non-conveyable items such as patio furniture.

Consequently, as it modernizes its DCs in Westfield, Butler and Charleston, Ill., ServiStar has compromised with a multi-leveled model in which conveyable products can be transported to a sorting area where their bar codes are scanned and then sent to a loading area where these items are merged with non-conveyable products handled manually. These are grouped by dealer and truck route.

Like ServiStar, Witte—with more than 2½ miles of conveyor in its 400,000-square foot warehouse—has developed four case-pick modules in its DC that allow its people to either pick cartons from full pallets, on which bar codes can be applied for laser scanning and automatic sorting, or separate areas for picking of non-conveyable merchandise.

It is the belief of some in the industry that as bar coding becomes more universally accepted, particularly on shipping cartons, that automated picking and sorting will be more prevalent.

There are some drawbacks, though. Forty-nine percent of the inventory carried by California Hardware has Universal Product Code stickers. But, said Smith, the wholesaler's president, another one-quarter of its products "is not eligible for UPC for any number of reasons, such as being too bulky." But of those products California carries that do lend themselves to bar coding, Smith believed that 85 percent would be coded by mid-summer.

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ANNUAL CENSUS

HARDLINES WHOLESALERS

Consolidation shakes up hardlines industry

Consolidation continued among hardlines wholesalers in 1988 as companies expanded their existing customer base and territories.

- American Hoist & Derrick, the parent company of **Farwell Ozmun & Kirk,** purchased the wholesale buying group **CoastAmerica.** The Minnesota company moved its headquarters to Denver and changed its name to Amdura Corp. Amdura also purchased the Rhode Island independent **Globe Distributors.** The company now supplies 1,600 stores in 40 states, 600 through FOK's Trustworthy stores program and 1,000 through the Coast to Coast operation;
- **Grip-Rite,** which by *NHCN* estimates is the industry's largest independent full line hardlines wholesaler, agreed to be purchased by Sequoia Supply, the building materials distributor based in Irvine, Calif. Combined, Sequoia and the White Plains, N.Y.-based Grip-Rite, would be a $425 million company with 43 distribution centers. The deal is expected to be completed this month;
- **Blish-Mize,** the Atchison, Kan.-based hardlines wholesaler purchased the wholesaling division of **Dutton Lainson** in Hasting, Neb.;
- **House-Hasson Hardware,** the $50 million Knoxville, Tenn., company, purchased **Paris Dunlop Hardware,** based in Gainsville, Ga.;
- Halmar, a company based in East Long Meadow, Mass., acquired **Ralar Distributors** of Plainview, N.Y., which generated $52 million in sales, in November 1987;
- **Fries Beall & Sharp** will close its distribution facility in Springfield, Va., this month, mostly in response to the decision by one of its key retail customers, Hechinger, to buy more direct. However, FBS will continue as a marketing entity under the auspices of its parent, the Portland, Maine-based **Emery Waterhouse;**
- **George Worthington,** the Mentor, Ohio, distributor, emerged from Chapter 11 through a strong public relations effort and a resilient sales force. It held its first buying show in October and stated that it had only lost 15 percent of its business during its bankruptcy, mostly by maintaining strong vendor relations;
- On the other side of the coin, **Wyeth Co.,** the St. Joseph, Mo., distributor, teetered on the brink of bankruptcy and has spent most of the past several months warding off creditors. However, the company continues to operate;
- As always, there were several important personnel changes of note in hardlines wholesaling last year. Two of the more prominent were the retirement of Warren Goldberg, **United Hardware Distributors'** long-time president, who was replaced by executive vp Homer Taylor; and Joseph Wildman, who became the new president of **Amarillo Hardware** in Texas, replacing Ed Vogt, who retired.

Hardlines distributors seek out new niches to stay competitive

By Elizabeth Brent

This spring, the Farwell Ozmun & Kirk division of Amdura, one of the industry's largest hardlines wholesalers, will offer its first building materials circular.

This is typical of what independent hardlines distributors are doing to establish new market niches for themselves at a time when competition is everywhere, from the aggressive co-ops to building materials wholesalers looking to get their piece of the hardlines pie by forging alliances with hardware distributors.

New programs in merchandising, promotion and computerized inventory management flooded the industry in 1988, as wholesalers fought to capture whatever market share they could grab.

Some distributors say they are gearing up for what could be very rough sledding over the next several months if the anticipated recession kicks in. One company president quipped that things have been so bad lately that it seemed credit managers were running retailers' businesses.

Consequently, some wholesalers are seeking out new business with industrial customers, with the government or with major new accounts such as Sears. American Wholesale Hardware in Long Beach, Calif., is targeting Disneyland as a customer; Hardline Marketing in Milwaukee has done "tremendous business" supplying hardlines to supermarkets.

Any additional business is welcome in a climate in which getting new business is a struggle, and where huge sales gains are becoming rare. Average annual volume increased for the 75 leading hardlines wholesalers tracked by *NHCN* to around 10 percent in 1988. These companies generated an aggregate $2.94 billion last year.

However, the dilemma many wholesalers face is how they can develop new niches to remain competitive while, at the same time, exacting more money out of dealers to pay for additional services.

Different marketing tacks

This niche marketing can take many forms. For some distributors, it has meant an expansion of their product assortment, particularly into the uncharted areas of building materials, just to keep up with the co-ops. Many of the top wholesalers increased their sku count, some by as much as 15 percent.

> "What I see happening is the evolution of full-line wholesalers like us into a kind of hybrid, where you're not a co-op, but you're 'unbundling' a lot of your services and costs."
>
> —**Eugene Anderson,** *vice president, American Wholesale Hardware*

For other distributors, niche marketing simply means quicker response to changes in the field.

Take, for example, the Florida-based independent that sells to such companies as Pergament, Payless Cashways and Lowe's.

This wholesaler, which requested anonymity, bumped its sales up by $8 million in 1988, and was able to sign on West Building Materials and 84 Lumber as customers in part because of upgrading its product mix to include contractor-oriented lines. One example saw this distributor begin carrying Schlage Lock's professional line of locksets.

For other distributors, niche marketing has meant providing dealers the wherewithal to modernize. Witte Hardware, the St. Louis-based wholesaler whose sales rose 9 percent last year, gives dealers interest-free loans so they can purchase hand-held electronic ordering machines that can transmit data to Witte's mainframe computer over telephone lines.

Witte also offers a lumber brokerage service and has seen its sales of lumber and building materials grow 15 percent this year.

"We're trying to convince dealers to be more loyal . . . and limit who they buy from so we are able to offer them more services," said Neil Marglous, Witte's president.

Computer linkage stressed

Witte's activity illustrates two areas—computerized order entry and commodities distribution—where hardlines distributors have been concentrating their efforts.

Nearly all distributors contacted for this year's census issue said their companies were investigating the development of electronic links among wholesaler, dealer and manufacturer (*see other story*).

However, this has been an arduous process, mostly because dealers have either been slow to experiment with such linkage, or their businesses still don't warrant this level of sophistication, at least in their minds.

(Continued on page 17)

Vendors eye fashion to spark slow electricals sales

Dealers continue to find creative ways to propel sales in the slow but steady electricals category.

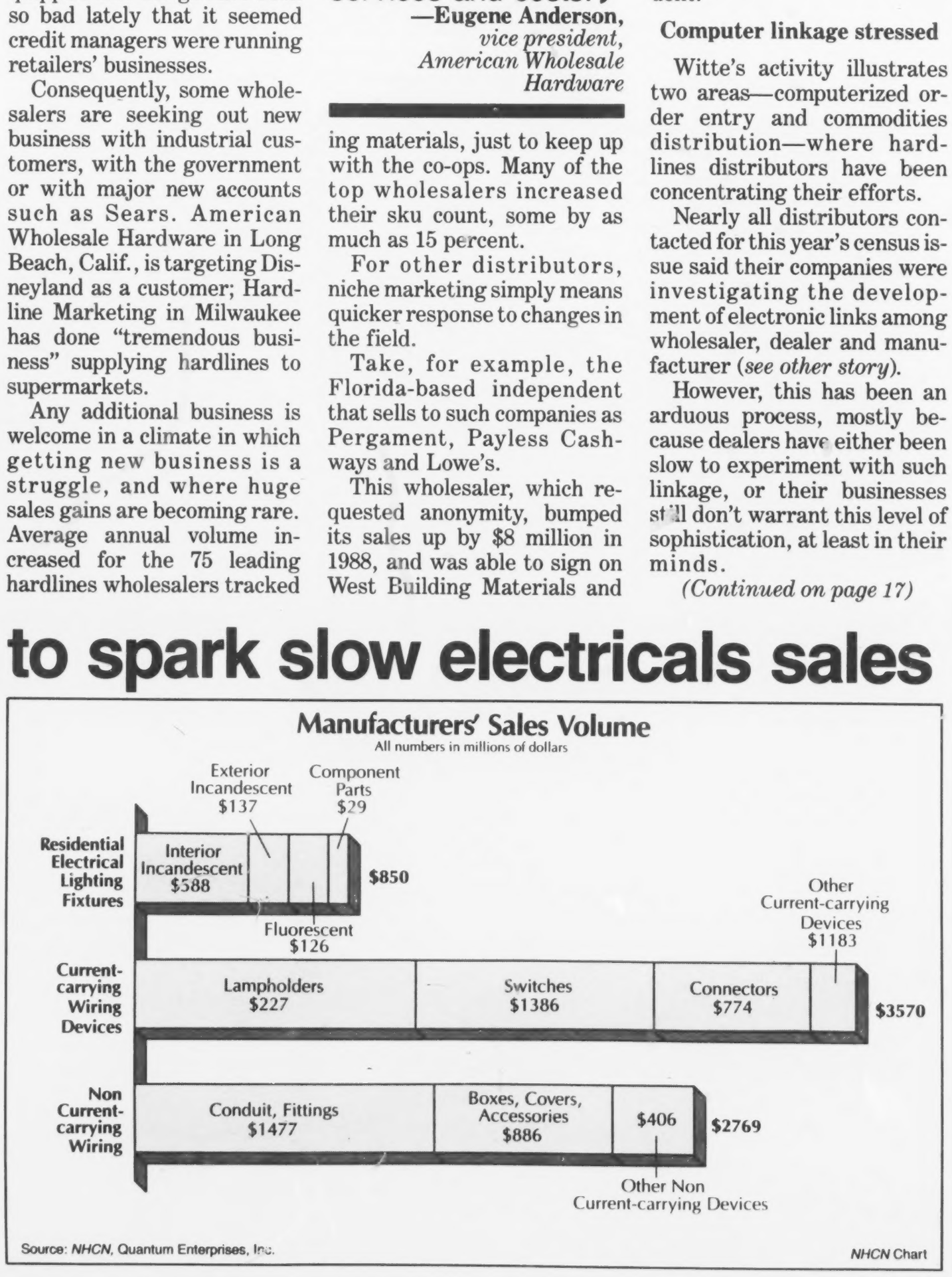
New technology has helped the growth in home control devices and surge suppressors. But vendors are now emphasizing fashion for the replacement market, from decorator switch plates to color-coordinated extension cords.

Manufacturer electrical sales increased industry wide by around 3 percent in 1988 and similar increases are predicted for this year, according to research produced for *NHCN* by Quantum Enterprises, a Middletown, N.J.-based company.

Raw material shortages and price hikes in PVC resin, brass contacts and copper tempered the market in 1988. However, since December these costs have balanced out as falling copper prices have compensated for increasing PVC prices. The outlook for 1989 remains uncertain, but vendors suggest normal inflationary rises.

The intense fight for shelf space has begun, as all types of electrical vendors try to expand their markets. Some retailers are dropping suppliers who cannot offer the full line of products. Woods Wire, for example, has expanded from the cable business into home controls and is now niche-marketing certain items.

(Continued on page 20)



ANNUAL CENSUS

HARDLINES WHOLESALERS

Hardlines distributors seek new niches as competition heats up

(Continued from page 14)

Over the past 18 months, Farwell Ozmun & Kirk (FOK) has persuaded only 12 of its estimated 600 Trustworthy dealers to install its new RETSYSCO point of sale system, even when the wholesaler offers financing and servicing assistance.

"They fought the advance from cigar box to electronic cash register," lamented John Wilson, manager of retail systems at FOK. "The industry is slow to react to technological change."

It should be said, however, that quite a few wholesalers have only recently begun offering this kind of electronic linkage. And many were enthusiastic about the prospects of employing this new technology, especially in conjunction with expanding use of bar coding. General Hardware, in Atlanta, for instance, is selling dealers a computer program to tie in with them on a long-term basis.

Growth in commodities

While computerization for many wholesalers might still be in the future, moving into the building materials side of the business is very much in the present.

Innumerable hardlines wholesalers told *NHCN* that they expanded the commodities selection being offered either out of their warehouses or through drop shipment.

One example is FOK, which, in a new telemarketing effort, contacts its major accounts on a biweekly basis and has recently expanded its mix to include garage doors, insulation and roofing.

Hardlines wholesalers are taking this road mostly out of competitive necessity. The hardlines co-ops last year billed their dealer-members for more than $1 billion for commodities shipments, and have been luring more business away from independents with this service.

In addition, many building materials distributors have expanded their reach into hardlines through mergers or marriages of convenience with hardlines wholesalers. The two most prominent examples of this were the Coast-America-Builder Marts of America merger, and the proposed merger between California-based building materials supplier Sequoia Supply and Grip-Rite, the industry's largest full-line hardlines distributor.

Who pays?

This move toward adding building products is just another facet of the service package wholesalers are using to differentiate themselves from competitors.

Most would agree with John Mize, the president of wholesaler Blish-Mize, that the way to win a dealer's heart is to "kill them with service." But this expansion into new products and services is not cheap, and it appears that wholesalers are no longer willing to foot the bill alone.

In fact, a clarion call was sounded by Shel Gendelman, the president of Hardware Marketing in Milwaukee, who said about dealers' demands for more services: "Tell us what you want and we'll tell you how much it costs. We've got to control our own expenses."

Eugene Anderson, a vice president with American Wholesale Hardware, echoed this sentiment. "What I see happening is the evolution of full-line wholesalers like us into a kind of hybrid, where you're not a co-op, but you're 'unbundling' a lot of your services and costs, breaking them out for dealers to choose from."

It is indisputable that dealers are turning to wholesalers for help in almost every aspect of their businesses. This is particularly true on the advertising and promotion side, as evinced by the growth in wholesaler programs.

Witte Hardware has had a 12 percent increase in use of its circulars already this year, and its circulation increased from 3.3 million in 1987 to 3.5 in 1988, said Marglous. Amarillo Hardware, the Texas-based distributor, now has four major promotional efforts a year, covering Lawn and Garden, Paint, Building and Plumbing and the Farm and Fence.

The real question is whether dealers are willing to pay more for an *a la carte* kind of hardlines distribution, or will turn elsewhere—direct shipment or other methods of inventory receipt—for their products.

In many ways, the fate of hardlines distributors will be in the skill with which they market not only their products and services, but the payment for them.

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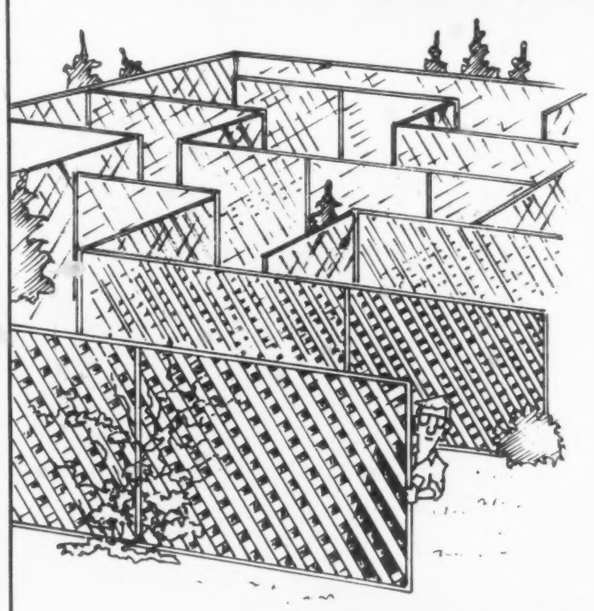

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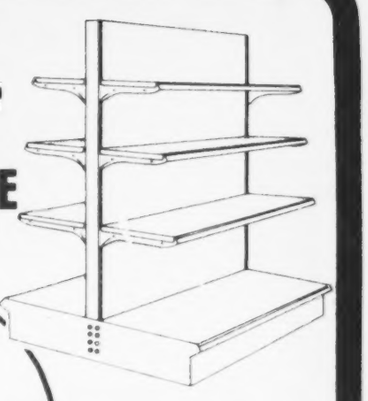

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ANNUAL CENSUS

HARDLINES WHOLESALERS

Vendors eye fashion to spark slow electricals sales

(Continued from page 14)

There is still room for items giving high return, such as the new value-added extension cords with extra storage or safety features. A popular add-on sale is the new fan support light accessory which allows dealers to recoup what have been slumping margins in ceiling fan sales.

The shelf space crunch has increased as home centers try to carry both the hard wiring devices for the serious DIYer and the replacement and fashion goods for the female shopper.

"In the future, home centers have to make the fundamental decision who their customer is," said Tom Breslin, marketing director at Leviton. "Now with the warehouses pursuing the trade customer, home centers may not be able to get that business and market the same way."

Home control and safety devices continue to gain ground with new innovations in technology. There are now heat-sensor lights which take a second look to verify the object before switching on the lights, and surge suppressors with audible alarms both in the hardwire and plug-in versions.

Manufacturers are jazzing up the extension cord category with new packaging, fashion items, and added value. The new multi-colored extension cords may encourage dealers to feature the product in the housewares section. In order to overcome the skepticism of some retailers who fear they will be stuck with unappealing colors, Woods Wire is testing its six colors from its Home Design line in select markets to determine which will be the hot sellers.

"The products are very pretty but I don't know how much additional business there is there," said Jerry Edwards, vp-merchandising at Lowe's, the Wilkesboro, N.C-based chain.

Raco and Leviton are two manufacturers grappling with bar coding problems, having received ultimatums from five major chains this year that their products include these stickers. Raco's steel outlet boxes, which often have an oily coating, offer a particular challenge and many of Leviton's products are too small to get the code on.

> "In the future, home centers have to make the fundamental decision who their customer is. Now with the warehouses pursuing the trade customer, home centers may not be able to get that business and market the same way."
>
> —**Tom Breslin,** *marketing director, Leviton*

UPC coding is just one example of how dealers are demanding labor-saving techniques from vendors. Pacific Electricord has introduced new display packs which are shipped directly on the pallet with a simple removable top to reduce handling. Such merchandising aids are ideally suited to the warehouse stores, but are now coming under close scrutiny by traditional home centers.

In a surprising move by a manufacturer of circuit breakers and load centers, Square D began underwriting a new public television show to increase its brand awareness in January. With its co-sponsor, it is spending just under $1 million to underwrite Norm Abrams' "The New Yankee Workshop," which already has five million weekly viewers.

Square D is also launching a new sweepstakes promotion in the stores which features life-size posters of Abrams and a chance to win one of the hutches made in the show and to visit a shoot.

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ANNUAL CENSUS

HARDLINES WHOLESALERS

Top 75 hardlines wholesalers in the industry

Rank 1988	Rank 1987	Company Name	Annual Sales $ Millions 1988	Annual Sales $ Millions 1987	Annual Sales % Change 1987-1988	Number of Distribution Centers 1988	Number of Distribution Centers 1987	Number of SKUs offered 1988	Number of SKUs offered 1987	Avg. Inventory carried at DC in $ Million 1988	Avg. Inventory carried at DC in $ Million 1987	Number of Active Accounts 1988	Number of Active Accounts 1987	Number of Trucks 1988	Number of Trucks 1987	Number of Employees 1988	Number of Employees 1987
1	1	**Grip-Rite International,** White Plains, N.Y.[1]	210.0	200.0	5	16	15	4,000	4,000	30	27	10,000	10,000	55	55	250	250
2	2	**General Hardware,** Atlanta	142.0	142.0	0	4	4	36,000	36,000	22	23	2,500	2,500	82	82	600	NA
3	3	**Farwell, Ozmun, Kirk & Co.,** Denver[2]	136.0	113.0	0	3	3	35,000	35,000	24	NA	1,700	1,700	0	0	500	500
4	4	**Orgill Brothers,** Memphis*	110.0	100.0	10	7	7	45,000	45,000	NA	NA	10,000	10,000	72	72	NA	NA
5	5	**Moore-Handley,** Birmingham, Ala.	100.0	98.0	2	2	2	27,700	30,800	10.7	10	2,700	2,700	60	65	440	534
6	6	**Emery-Waterhouse,** Portland, Maine	96.0	88.0	9	3	3	29,600	28,000	7.9	7.6	1,200	1,200	21	21	432	417
7	7	**California Hardware,** City of Industry, Calif.	91.0	77.0	18	1	1	39,000	39,000	12	13.5	850	850	34	34	304	304
8	8	**L.G. Cook Distributing** Grand Rapids, Mich.	90.0	75.0	20	1	1	18,000	18,000	14	12	1,350	1,200	25	21	250	240
9	9	**Masback Hardware,** North Bergen, N.J.	77.0	70.0	10	2	2	28,000	28,000	NA	NA	1,500	1,500	24	21	300	300
10	11	**Witte Hardware Corp.,** St. Louis	75.0	68.5	9	1	1	30,000	30,000	10	10.2	1,500	1,218	45	42	200	200
11	10	**Decatur Hopkins Co.,** Tauton, Mass.	75.0	70.0	7	1	1	23,000	23,000	9	8.5	1,500	1,500	14	14	NA	NA
12	12	**Jensen-Byrd Co.,** Spokane, Wash.*	71.0	65.0	9	1	1	40,000	38,000	9	9	1,700	2,000	13	9	260	NA
13	15	**Monroe Hardware Co.,** Monroe, N.C.[3]	65.0	59.0	10	3	3	26,000	26,000	NA	NA	3,500	3,500	45	43	375	375
14	16	**Nuway Distributors,** Baltimore*	63.0	57.0	11	14	14	20,000	20,000	NA	NA	6,600	6,400	0	0	200	200
15	13	**Frederick Trading,** Frederick, Md.	63.0	63.0	0	1	1	35,000	36,000	12	NA	2,400	2,400	45	NA	400	400
16	14	**RKB Enterprises,** Elmira, N.Y.	60.0	60.0	0	1	1	31,000	30,000	8	8	1,200	1,200	15	14	338	300
17	17	**Ralar Distributors,** Plainview, N.Y.[4]	52.0	52.0	0	1	1	7,500	7,500	5	NA	700	700	NA	NA	150	150
18	23	**George Worthington Co.,** Mentor, Ohio	51.0	42.0	21	1	1	32,000	32,000	6	7	900	900	NA	NA	220	220
19	22	**Baumrin Bros.,** Jacksonville, Fla.	50.0	42.0	19	2	2	18,000	18,000	10	10	1,000	1,000	0	0	225	225
20	20	**House-Hasson Hardware,** Knowxille, Tenn.	50.0	45.0	11	1	1	34,000	31,000	6	6	1,200	1,200	22	22	200	200
21	37	**Empire Distributors,** Inc., Grandville, Mich.	48.0	27.0	78	2	3	15,000	15,000	6	5	2,200	1,700	16	10	112	69
22	19	**Bacar, Inc.,** San Jose, Calif.	48.0	45.6	5	1	1	13,000	13,000	NA	NA	1,300	1,300	5	5	250	225
23	18	**Bostwick-Braun Co.,** Toledo, Ohio	48.0	47.0	2	1	1	38,000	37,000	6.1	6.7	1,100	1,100	14	15	202	201
24	25	**Wallace Hardware,** Morristown, Tenn.*	40.0	37.0	8	1	1	28,000	25,000	6	5	2,300	2,000	23	21	185	180
25	26	**Blish-Mize Co.,** Atchison, Kan.	38.0	37.0	3	2	2	35,000	35,000	7	7	1,500	1,200	29	25	185	185
26	34	**Honsador,** Ewa Beach, Hawaii	36.0	28.0	29	3	3	3,800	3,500	8	7	3,500	3,500	13	12	96	89
27	33	**Kruse Hardware,** Cincinnati	35.0	29.8	17	2	1	25,000	24,000	5	5	800	800	20	20	175	170
28	21	**Allied International,** Janesville, Wis.	35.0	44.0	−20	4	6	11,000	11,000	10	10	NA	NA	NA	NA	156	170
29	28	**Amarillo Hardware,** Amarillo, Texas	34.0	32.0	6	1	1	34,000	34,000	5.9	6.5	3,600	3,400	24	22	195	202
30	24	**Panic Distributors,** Columbus, Ohio	34.0	40.0	−15	2	2	8,000	8,000	7	7	50	50	8	8	NA	275
31	30	**American Wholesale Hardware,** Long Beach, Calif.	33.0	30.0	10	1	1	33,000	33,000	6.6	6.6	1,200	1,200	8	8	150	150
32	29	**Mid-Am Building Supply,** Moberly, Mo.	32.4	31.1	4	4	4	3,500	3,200	2	1.2	NA	NA	12	12	70	65
33	27	**Barnstable County Supply Co.,** W. Barnstable, Mass.	30.5	35.0	−13	2	2	6,000	6,000	2.3	2.3	300	300	10	12	50	50
34	42	**Sunshine Industries,** Cleveland	30.0	24.0	25	1	1	14,500	14,000	NA	NA	1,500	1,500	4	4	NA	NA
35	41	**S&T Wholesale Hardware,** Jeffersonville, Ind.	30.0	25.0	20	1	1	27,000	27,000	5	5	1,200	1,000	14	14	170	170
36	35	**New Holland Supply,** New Holland, Pa.	30.0	28.0	7	1	1	13,500	13,000	4.5	4.5	4,500	4,100	13	13	115	110
37	32	**Brown-Rogers-Dixson,** Winston-Salem, N.C.	30.0	30.0	0	3	3	15,000	15,000	4	4	2,000	2,000	40	40	150	150
38	36	**Spicola Hardware,** Tampa. Fla.	27.0	27.0	0	1	1	35,000	25,000	2	2	2,500	2,000	15	15	90	90
39	49	**Fries Beall & Sharp,** Springfield, Va.[5]	26.0	18.0	44	1	1	5,000	20,000	5.1	3	50	50	6	10	100	100
40	43	**Hardline Marketing,** Milwaukee	25.9	23.5	10	1	1	21,000	19,000	NA	NA	2,000	2,000	5	4	112	92
41	40	**CC Distributors,** Corpus Christi, Texas[6]	25.6	25.0	2	1	1	22,800	21,800	2	1.7	420	380	7	7	92	90
42	38	**South States, Inc.,** Shreveport, La.	25.2	25.0	1	2	2	14,000	13,000	5.5	5.2	1,200	1,200	18	17	142	150
43	39	**The W.H. Kiefaber Co.,** Dayton, Ohio	25.0	25.0	0	7	7	35,000	35,000	4.5	4.5	200	200	20	20	160	160
44	45	**Hall & Knight Co.,** Lewiston, Maine	22.5	20.5	10	1	1	35,000	35,000	4.5	4	2,500	2,500	9	9	125	115
45	44	**Heusinger Hardware,** San Antonio, Texas	21.1	22.0	− 4	1	1	15,800	17,000	5.7	5.3	1,496	1,500	18	18	104	107
46	48	**Buttery Hardware,** Llano, Texas	20.0	18.0	11	1	1	21,000	21,000	NA	NA	700	700	10	10	NA	NA
47	47	**West Texas Wholesale Supply,** Abilene, Texas	20.0	18.5	8	1	1	28,000	30,000	5.4	5.8	2,000	2,000	11	11	97	127
48	46	**Budrow & Co.,** Santa Fe Springs, Calif.	20.0	20.0	0	1	1	22,000	22,000	NA	NA	300	300	4	4	60	60
49	31	**Wyeth Co.,** St. Joseph, Mo.	20.0	30.0	−33	1	2	25,000	25,000	NA	NA	1,500	2,000	25	25	100	150
50	50	**Nelson-Roanoke Corp.,** Roanoke, Va.	19.0	18.0	6	1	1	22,000	22,000	3.5	3.5	2,000	2,000	20	20	125	130
51	53	**Henderson & Baird Hardware,** Greenwood, Miss.	18.0	16.0	13	1	1	13,500	13,000	3	2.8	1,200	1,200	30	30	74	78
52	51	**Southwest Hardware Co.,** Phoenix, Ariz.[7]	18.0	17.0	6	1	1	26,000	26,000	4	4	350	340	7	7	65	70
53	52	**Builders Hardware Supply Corp.,** Seattle	17.0	16.8	1	2	2	30,000	30,000	NA	NA	5,000	5,000	3	3	100	100
54	56	**Wright & Wilhelmy Co.,** Omaha, Neb.	16.0	14.0	14	1	1	28,000	27,000	3.25	3.25	1,200	1,200	14	14	100	95
55	55	**Summers Hardware,** Johnson City, Tenn.	16.0	15.0	7	1	1	28,000	28,000	NA	NA	900	850	14	14	122	120
56	54	**Garehime Corp.,** Brisbane, Calif.	16.0	15.0	7	1	1	15,000	15,000	2.5	2.5	800	800	2	2	60	58
57	61	**Charles McMurray Co.,** Fresno, Calif.	15.2	12.6	21	2	2	8,000	9,000	3.2	2.8	200	300	2	2	50	50
58	59	**Watters & Martin, Inc.,** Norfolk, Va.	14.5	13.0	12	1	1	20,000	18,000	3.5	3.5	700	700	9	8	100	100
59	63	**Yakima Hardware Co.,** Yakima, Wash.	14.0	12.0	17	1	1	26,000	26,000	NA	NA	700	700	NA	NA	NA	NA
60	60	**Wilco Supply,** Oakland, Calif.	14.0	12.6	11	1	1	28,000	28,000	3.5	3.5	3,500	3,500	0	0	65	NA
61	57	**Buhrman-Pharr,** Texarkana, Ark.	14.0	14.0	0	1	1	12,000	12,000	4.8	4.8	2,200	2,200	17	16	105	107
62	67	**Sheffield Hardware,** Americus, Ga.	13.0	11.0	18	1	1	24,000	24,000	1.25	1	1,200	1,200	8	8	90	90
63	58	**Pyramid Products,** N. Kansas City, Mo.	13.0	13.0	0	1	1	24,000	24,000	3	3	3,600	3,600	3	3	60	60
64	64	**Zork Hardware Co.,** El Paso, Texas	12.5	12.0	4	1	1	27,000	30,000	4	3.6	1,000	1,000	8	8	80	105
65	66	**George Wetterbeet & Co.,** Detroit	12.0	11.5	4	1	1	15,500	15,500	2	2.4	400	400	3	3	55	55
66	65	**Morse Hardware,** Bellingham, Wash.	12.0	12.0	0	2	2	28,000	28,000	NA	NA	400	400	2	2	NA	NA
67	62	**Mutual Distributors,** Honolulu	12.0	12.0	0	1	1	14,000	13,000	3.5	3	600	550	8	7	65	55
68	70	**Charles J. Smith,** Jersey City, N.J.	11.0	10.0	10	1	1	8,000	8,000	NA	NA	630	630	4	4	30	30
69	69	**Blackstone Supply,** Providence, R.I.	11.0	10.4	6	1	1	15,000	15,000	2.3	2.4	400	375	5	5	45	45
70	68	**Feltus Brothers Hardware, Inc.,** Natchez, Miss.	11.0	11.0	0	1	1	21,000	21,000	2.2	2.2	972	972	18	18	53	53
71	74	**Becknell Wholesalers,** Lubbock, Texas	10.0	8.4	19	2	1	21,500	19,000	1.8	1.5	2,200	2,000	5	5	72	58
72	71	**C.H. Miller Hardware Co.,** Huntingdon, Pa.	10.0	9.3	8	1	1	16,000	16,000	2.3	2.3	480	480	7	7	86	86
73	75	**Wagner Hardware,** Mansfield, Ohio	9.0	8.0	13	1	1	19,000	19,000	1.3	1.2	800	800	6	6	49	49
74	76	**Biscayne Electric & Hardware,** Miami	9.0	8.0	13	1	1	22,000	20,000	NA	NA	600	600	5	5	60	60
75	72	**Clark Hardware,** Nashville, Tenn.	9.0	8.8	2	1	1	19,000	19,000	2	2	600	600	6	6	65	65
		Totals	2,963.4	2,750.9	7							128,548	126,045			10,863	10,236
		Averages			8.0	2.0	2.0	22,562.7	22,417.3	5.0	4.3	1,714	,681	16	15	145	136

*NHCN estimate
[1]Grip-Rite has agreed to merge with Sequoia Supply, Irvine, Calif. Deal is expected to be completed this month.
[2]Farwell, Ozmun Kirk's parent company, Amdura, moved FOK's headquarters to Denver from South St. Paul, Minn.
[3]Monroe Hardware includes sales from Smith Hardware, Goldsboro, N.C.; and Mitchell-Powers Hardware, Bristol, Tenn.
[4]Ralar Distributors was purchased in November 1987 by Halmar Industries, East Meadows, Mass.
[5]Fries, Beall & Sharp will close its warehouse facility this year, but will continue to exist as a marketing arm of parent Emery-Waterhouse.
[6]CC Distributors sales total includes an estimated $20 million in business from government contracts.
[7]Southwest Hardware Co. is owned by The O'Malley Cos., Phoenix

"Full line" refers to those companies that are wholesaling the following product categories: hardware, fasteners, electricals, lighting, plumbing, bath products, hand and power tools, lawn and garden hardware, and paint sundries.

NHCN chart

Hardlines wholesalers enjoyed only modest sales growth in 1988. And this industry segment is becoming more concentrated, as the top 10 chains now account for nearly two-fifths of the volume generated by the top 75 distributors in the industry. However, numerous companies reported improvements in their profitability last year, despite intensified competition. As the above chart shows, the sheer number of accounts being serviced by the wholesalers listed indicates that a huge segment of their sales is coming outside of retailing from such avenues as industrial-/commercial and the government.

ANNUAL CENSUS

HARDLINES WHOLESALERS

The Top Hardlines Co-ops

Rank '88	COMPANY	SALES Total sales ($ mil.) '88	'87	% chg.	Lumber & Building mat'ls as % of sales '88	'87	STORES Dealer stores '88	'87	No. of home centers '88	'87	HC sales as % of total '88	'87	INVENTORY ANALYSIS No. of warehouses (tot. sq. ft.) 1988	Min./max. inventory ($ mil.) '88	'87	Stock keeping units '88	'87	Sales to inventory ratio '88	'87	% of sales from drop shipment '88	'87	CHARGES % charges to dealers out of: • warehouse • pool relay • drop ship '88	'87	EMPLOYEES No. of employees '88	'87
1	**Cotter & Co.** Chicago	**2,004**	1,854	8.1	**6.0**	6.0	**8,000**	8,000	**1,600**	1,600	**35**	30	15 (6 mil)	**280**	236	**37,000**	32,000	**6.9**	6.0	**41.0**	41.0	**5-15 6 0-2**	5-15 6 0-2	**3,700**	3,700
2	**Ace Hardware** Oak Brook, Ill.	**1,382**	1,198	15.4	**7.3**	4.6	**5,073**	5,010	**2,000**	1,950	**41**	41	14 (5.5 mil)	**158-198**	135-179	**42,000**	39,000	**4.7**	4.7	**24.6**	26.7	**10 6 1-2**	10 6 2	**2,741**	2,477
3	**ServiStar Inc.** Butler, Pa.	**1,120**	1,040	7.7	**41.2**	42.2	**3,700**	3,725	**1,559**	1,502	**62**	60	6 (2 mil)	**75-100**	87-106	**41,000**	35,700	**5.0**	4.5	**21.1**	20.1	**5-15 6-10 0-3**	5-15 6-10 0-3	**1,375**	1,279
4	**Hardware Wholesalers Inc.,** Fort Wayne, Ind.	**1,001**	885	13.1	**35.0**	35.0	**2,765**	2,750	**1,650**	1,650	**50**	50	5 (1.9 mil)	**62-70**	61-74	**38,000**	35,700	**15.1**	13.0	**50**	50	**NA NA NA**	NA NA NA	**738**	736
5	**CoastAmerica** Denver	**416**	352	18.2	**NA**	NA	**1,170**	980	**980**	980	**NA**	NA	3 (1.1 mil)	**70**	50	**35,000**	35,000	**NA**	NA	**10**	10	**NA NA NA**	NA NA NA	**1,200**	1,112
6	**Our Own Hardware** Burnsville, Minn.	**139**	126	10.3	**18.0**	17.0	**1,200**	1,200	**475**	475	**40**	40	2 (800,000)	**15-21**	15-21	**35,000**	35,000	**5.0**	5.0	**35**	33	**7-11 6 2**	7-11 6 2	**350**	350
7	**United Hardware Distributors,** Minneapolis	**95**	92	3.3	**5.0**	5.0	**565**	550	**30**	30	**5**	5	1 (420,000)	**10-15**	10-15	**37,000**	37,000	**5.9**	5.9	**13.3**	13.3	**2-11 2-5 1**	2-11 2-5 1	**270**	272
8	**Handy Hardware** Wholesalers, Houston	**55**	47	17.0	**3.0**	4.0	**628**	620	**NA**	NA	**1**	1	1 (200,000)	**6.5-7.7**	5.9-6.7	**24,700**	20,000	**8.0**	7.0	**23**	23	**9 5 1**	9 5 1	**121**	131
9	**Connecticut Hardware** Cromwell, Conn.	**11**	12	8.3	**0.0**	0.0	**58**	62	**4**	5	**10**	5	1 (35,000)	**1.8-2.0**	1.9	**15,000**	25,000	**5.2**	5.5	**35**	23	**NA NA NA**	NA NA NA	**15**	12
	Totals	**6,223**	5,606	11.0			**23,159**	22,897	**8,298**	8,192															
	Averages	**691**	623	11.0	**13**	13					**27**	26				**33,856**	32,711	**6.0**	6.0	**28**	27				

Source: *NHCN* research

Total dealer count includes those with dual membership.

The top hardlines co-ops billed their dealers for more than $6.2 billion in 1988, much of that coming from the distribution of lumber and building materials through intermediary wholesalers working in unison with the co-ops.

In addition, the largest four co-ops made major commitments to their product assortments last year, with most increasing the items being offered out of warehouse.

These sales gains were remarkable given the fact that the buying groups are selling to a dealer universe that, for all intents and purposes, is not growing.

Co-ops gain ground in industry but vary in their growth patterns

Over the past five years, the hardlines co-ops have assumed a dominant role in the expansion of the home improvement industry.

But an evaluation of the statistical performance of the nine buying groups during this period shows that the growth patterns among these companies vary markedly in such areas as sales, dealer and employee productivity, and product mix.

As the two accompanying charts show, the revenues of the nine co-ops increased from 1983 to 1988 by an aggregate 64 percent to $6.223 billion. But comparing the individual companies finds ServiStar—with a 150 percent sales jump over this period—Hardware Wholesalers, Inc. (HWI) and Ace Hardware were on a much faster track than their competitors. Cotter & Co., the industry's largest co-op, has, by this criterion, underperformed, even if one takes into account that Cotter has a much higher sales base.

The co-ops' sales growth is unquestionably attributable to the increased productivity of their dealer-members which, in no small measure, results from the programs developed by their buying groups. This closer-knit relationship has found dealers purchasing a much greater percentage of their total inventory through the co-ops: In 1983, an average dealer bought $181,305 from his co-op; that figure soared by 48 percent to $268,708 last year.

By way of comparison, Cotter's dealers, on average, bought $250,500 through its 15 DCs last year; Ace's $272,422, ServiStar's $302,703, CoastAmerica's $355,555 and HWI's $362,025.

One reason explaining these differences could be that HWI and ServiStar claim to be getting a much higher percentage of their total volume from home improvement centers as opposed to pure hardware stores.

In addition, these two co-ops have been in the forefront of developing their lumber and building materials programs, which are low-cost generators of sales for the co-op (because most of the product is drop shipped to dealers), and generally mean the dealer being serviced is a higher-volume unit by nature.

Coast's performance as well could be explained by its recent alliance with the Builder Marts of America commodities buying group.

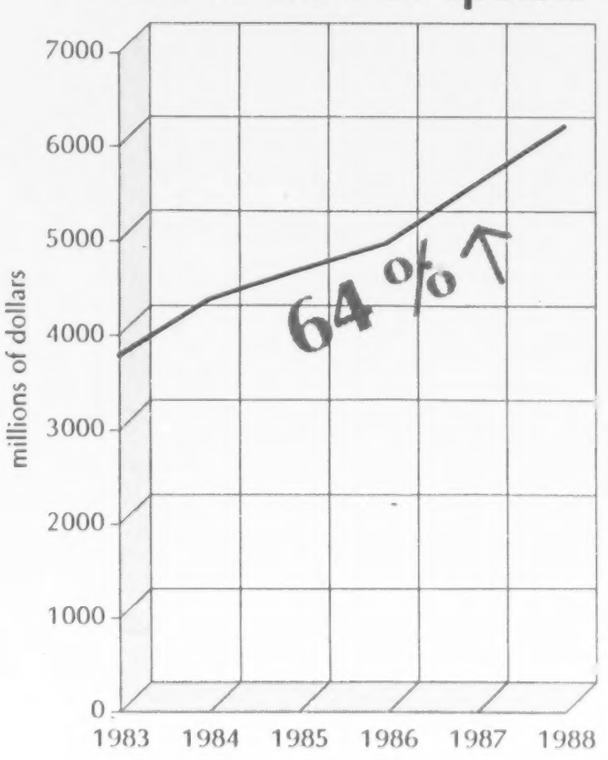
Indeed, the trend towards expanding their commodities business found many of the co-ops expanding their product assortment over the past five years, and especially in 1988. While the top four did most of the product adding—on average, they increased their sku count in 1988 by 3,900 items, or 22 percent—even a smaller co-op like Handy Hardware Wholesale boosted its item count by more than 23 percent to 24,700 items.

There also appeared to be a stronger capital investment being made by the co-ops to support their customers, both in inventory and people. Over the past five years, the co-ops, on average, have increased their inventory at cost almost 55 percent. Cotter, which has added four more DCs to the market during this period, has seen its inventory levels growing more than 75 percent to $280 million.

In addition, the manpower at these companies has also grown over this half-decade by 23 percent to an aggregate 10,510. Ace's workforce has jumped 53 percent to 2,741; ServiStar's by 56 percent to 1,375.

Company	1983 Total sales	1983 Co-op sales per dealer	1988 Total sales	1988 Co-op sales per dealer	% change
Cotter & Co.	1,459	208,429	2004	250,500	20
Ace Hardware	801	182,045	1382	272,423	50
ServiStar	448	117,892	1120	302,703	157
HWI	558	223,200	1001	362,025	62
CoastAmerica	300	265,018	416	355,556	34
Our Own	101	96,190	139	115,833	20
United	82	148,551	95	168,142	13
Handy Hardware	38	86,364	55	87,580	1
Connecticut	7	134,615	11	189,655	41

Total Hardlines Co-op Sales



% Growth 1983 to 1988	
Cotter	37
Ace	73
ServiStar	150
HWI	79
CoastAmerica	39
Our Own	38
United	16
Handy	45
Conn.	57

ANNUAL CENSUS

HARDLINES WHOLESALERS

Hardlines Co-ops break through the $6 billion mark

Cotter & Co. posts record $2 billion in sales for last year

With a few days remaining in 1988, Cotter & Co. became the first U.S. hardware cooperative to break $2 billion in sales.

It was also a year of substantial growth for the 40-year-old cooperative. From its first major push into lumber and building materials back in late 1986, Cotter boosted the number of home centers it serves 7.5 percent in the year among its 8,000 member base (including V&S Variety stores). Cotter likewise followed suit in 1988, holding its first winter buying show for lumber and building material members.

To accommodate that growth, Cotter boosted the aggregate inventory levels in its 15 distribution facilities by 18 percent to $280 million; stockkeeping units rose 15.6 percent to 37,000 items, mostly in building products, according to Paul Fee, Cotter's executive vp.

The company is anticipating sales increases of 10 percent in 1989, which would bring it to $2.2 billion.

Ace addresses regional concerns through advertising

Last year saw Ace Hardware Corp. begin a "regionalization" effort to bring corporate management here closer to the dealers in the field.

Part of the regionalization effort in 1988 involved making Bill Loftus, vp of sales and marketing, the new vp of the Eastern region. Paul Ingevaldson, former vp of operations, became vp of the Western region.

The program was started as an effort by Ace to customize advertising and merchandising more to regional needs, as well as to permit more local and area-specific buying.

This year, Ace has already started building a new distribution center in Gainsville, Ga., which should be operational by next year. The co-op also announced plans to build two new distribution centers—one each in central Indiana and Arizona—over the next three years.

According to communications director Mary Plancer, 277 of Ace's dealers' stores were remodeled to the co-op's "Store of the Future" concept in 1988. Plancer said the co-op is budgeting for a 9 percent sales increase this year.

ServiStar surpasses buying groups with its marketing plans

The "war" among buying groups is being fought in the marketing and sales departments. And that's why ServiStar had a record-breaking 1988, according to an executive here.

The basic distribution function is simple and "everyone does that right," says Donald Belt, senior vp-sales and marketing at ServiStar, arguably, the fastest growing co-op in the home improvement industry. "The difference is the marketing plans and strategies. That is where the war is won and lost."

Last year saw "rapid expansion" of ServiStar's Operation Turnkey program, as 52 stores opened, while this year Belt predicts 67 new stores will open.

The current fiscal year marked the expansion of this co-op into the west by signing up the 43-unit Lampert Lumber and the 103-unit United Building Centers.

In June, ServiStar will hold its first lawn and garden show for New England owners.

HWI reaches its first billion-dollar sales year in 1988

Coming off its first billion-dollar sales year, Hardware Wholesalers Inc. (HWI) reported higher rebates to dealers but maintained a 3.6 percent cost of operations.

(Continued on page 32)

EVEREADY
Eversafe
Stock the gifts that show your customers you care.
"I'd like the lights to go on when it gets dark."
Light Activated Socket
"If there's a fire, I want firemen to know where my child's room is."
Child Locator & Smoke Detecto
"I don't want to be in the dark if the power fails."
Power Failure Light
"I don't want to feel so defenseless when I'm out alone."
Personal Alarm
Mom
Dad
Grandma
When customers visit an Eversafe™ Center in your store they'll find new safety products to help make their world a safer place.
Like a Child Locator and Smoke Detector with a flashing red light to help guide firemen to your child's room.
A Personal Alarm that helps scare off attackers with a piercing siren heard up to a quarter mile away.
A Power Failure Light that goes on, instantly, automatically, when the power goes off.
The Light Activated Socket that automatically turns lights on at sunset and off at sunrise, indoors or out!
EVEREADY The Powerful Difference
Look to the Eversafe™ Center* to bring your customers peace of mind from a name they trust.
*(Not available in all areas.)
LIGHTING PROTECTION
Electric Candle
Light Activated Timer
Power Failure Light
Anywhere Light
Light Activated Socket
FIRE PROTECTION
Fire Extinguisher
Child Locator & Smoke Detector
Smoke Detector
PERSONAL PROTECTION
Personal Alarm
Intrusion Alarm
Remote Light Controller
Circle 18 on Reader Service Card

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HARDLINES WHOLESALERS

Rank '88	Rank '87	Company Name	Total Sales $ Millions 1988	1987	% ch.	# of Wholesalers 1988	1987	Affiliated dealers Total customers 1988	1987	% of home centers 1988	1987	Wholesaler Warehouses 1988	1987	Aggregate Inventory ($mil) 1988	1987	# SK US 1988	1987	Employees 1988	1987	Advertising Corporate Wholesaler 1988	1987
1	1	Liberty Distributors, Des Plaines, Ill.	**1,000**	930	7.5	**27**	23	**2,863/ 20,000**	2,850/ 22,000	**25**	25	**45**	50	**135**	142	**32,000**	32,000	**48**	47	**4.5mil./** NA	4.0mil./ 1.2mil
2	2	Associated Building Materials, Scottsdale, Ariz.	**900**	819	9.9	**51**	51	**NA**	NA	**85**	85	**87**	83	**183**	175	**NA**	NA	**3**	3	**NA**	NA
3	4	Pro Hardware * Stamford, Conn.	**725**	615	17.9	**16**	15	**5,000/ 14,000**	5,000/ 14,000	**35**	35	**23**	22	**125**	105	**24,000**	24,000	**17**	17	**1.2mil./ 3.3mil.**	1.2mil./ 3.0mil.
4	3	Sentry Hardware Des Plaines, Ill.	**720**	650	10.8	**15**	15	**5,700/ 5,700**	5,700/ 5,700	**NA**	NA	**22**	22	**150**	150	**29,000**	26,000	**19 NA**	17 NA	**10mil./**	7mil./
5	5	Reliable Hardware Wholesalers Arlington Heights, Ill.	**575**	457	25.8	**44**	35	**0/ 16,525**	0/ 16,525	**32**	32	**45**	36	**89**	83	**19,500**	19,500	**6**	6	**NA**	NA
6	6	Allied Hardware Services,** Chicago	**360**	325	10.8	**30**	30	**0/ 18,500**	0/ 18,500	**23**	20	**32**	31	**70**	70	**22,000**	22,000	**5**	5	**265,000/ 265,000**	240,000/ 240,000
7	7	ValTest Distributors Chicago	**325**	320	1.6	**41**	37	**1,000/ 6,600**	1,000/ 6,600	**19**	15	**46**	43	**44**	41	**13,500**	13,500	**10**	9	**75,000/ 200,000**	75,000/ 200,000
8	8	Associated Hardware Buyers, Gainesville, Ga.	**150**	130	15.4	**20**	21	**NA**	NA	**NA**	NA	**25**	25	**NA**	NA	**NA**	NA	**4**	4	**NA**	NA
		Totals	**4,755**	4,246		**244**	227					**325**	312								
		Averages	**594**	531	7	**31**	28			**27**	27	**41**	39								

* Includes sales from United Hardware Distributors
** Merged with Pro Hardware, January, 1989

Marketing groups expand through consolidation

By Tom Bagsarian

Last year may be remembered as the year wholesaler marketing groups hooked up across the nation.

There was also an international flavor to these groups' marketing, as Val-Test, the Chicago-based organization, signed on its first Japanese wholesaler.

Six of the top eight wholesale marketing groups posted higher sales in 1988 over the previous year and collectively they grew 4.7 percent over the 1987 totals, to $4.557 billion, from 244 member wholesale distributors.

Since it is no secret dealers and suppliers are going through a consolidation, it should come as no surprise that some wholesaler marketing groups followed their lead in 1988.

For the second year in a row, Pro Hardware, the Stamford, Conn.-based group, grabbed the most attention, particularly with its merger with Allied Hardware of Chicago, which became effective Jan. 1.

This move gives Pro a wider distribution network, while at the same time, Allied wholesalers can take advantage of major vendor discounts that they missed out on previously due to Allied's smaller size.

Pro also struck an affiliation agreement in January with Nuway Distributors, the 14-facility wholesaler out of Baltimore, and, earlier last year, with Handy Hardware Wholesalers, the 628-member hardlines co-op based in Houston. Through this latter deal, member-dealers will have access to more vendors than before, according to Tina Kirbie,

(Continued on page 44)

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ANNUAL CENSUS

HARDLINES WHOLESALERS

(Continued from page 27)

Last year, the industry's fourth largest hardlines co-op announced the conversion of the 200th dealer store to its Do-it Center marketing and merchandising concept. By year end 1989, HWI plans to introduce new and upgraded features to the four-year-old concept, according to Mike McClelland, executive vp.

In addition, since its introduction in early 1988, HWI more than doubled the number of dealers on its Dataphone order entry system.

This year HWI plans to increase its presence in southern California (it signed its first dealers there a few months ago) and, with the opening of a DC in New England, the East Coast market.

Coast boosts its position in the hardlines industry

Founded CoastAmerica Corporation, this hardlines buying group was acquired last fall by Amhoist Corporation—now called Amdura—and has helped make Amdura the "largest publicly held hardlines distributor in the U.S.," according to company officials.

"This will be a year of integration," said Amdura spokesman Scott Ross, explaining that each of the entities' individual strengths will be combined. Beefed up circular and TV advertising is planned.

CoastAmerica had a confined distribution network before being acquired, he said, noting that among its dealer stores were Wickes Lumber and those aligned with Builder Marts of America. "With our new strength, we can give quicker service to more customers."

Among the key benefits to consolidating, he said, is that each of the three entities can avail itself of nine distribution centers; in the past they had only three apiece.

Our Own seeks to expand influence in the U.S. and Texas

"We want to be a major supplier in the central U.S. and Texas," said Steve Saefke, vp-merchandising/advertising for Our Own Hardware, the Burnsville, Minn.-based hardlines co-op.

The brevity and focus of that goal are also reflected in the advice Our Own gives to its member stores: "Find a niche and then fill it," said Saefke.

To enable that, the distributor is looking to increase the number of stockkeeping units and the related price margins in ad circulars, and refine its product catalogue.

Our Own has also turned its primary warehouse in Burnsville into a satellite facility, while placing more emphasis on a second warehouse in Ottawa, Kan.

This year will also see an expansion of the "Rent It" program, under which Our Own sells a tool rental franchise to retailers. The distributor provides the advertising, decor, training and equipment in return for a percentage of gross sales.

Twenty stores are expected to have 800-square-foot Rent It departments by the end of the year.

United Hardware increases dealer membership, sales

United Hardware Distributors bumped its dealer membership up by 15 stores in 1988, and enjoyed a modest sales gain as the buying co-op prepares to enter a new era.

United this year will be run by new management at the top, as its longtime president Warren Goldberg retires. He will be replaced by executive vp Homer Taylor. Merle Heggestad, the company's vp-marketing, has also relinquished some responsibilities and is concentrating on special projects for the co-op.

Aligns with Pro Hardware

The distributor last year also strengthened its marketing hand by aligning with Pro Hardware, the aggressive marketing organization out of Stamford, Conn. United's status as a dealer-owned co-op did not change with this arrangement.

Bob Branton, the co-op's vp-sales and advertising, noted that besides the changes in upper management, United has also started to "look at point of sale" systems more aggressively.

This year, the company is also looking to expand its market reach into "new territories" as a way of sustaining its sales growth.

Handy Hardware's profits soar after boost in economy

Handy Hardware Wholesale survived the depressed Texas economy in 1988, and returned to normal earnings patterns last year, according to company officials.

The co-op incurred lower profits in 1987, when it moved into a new 220,000-square-foot distribution center from its older 92,000-square-foot warehouse.

But that paid dividends last year, as Handy's profits soared by 408 percent, helped by declining operational costs and a revival in the economy in southern Texas and the Houston market.

Despite the increased business, Handy Hardware, intent on cutting costs, reduced the employee count in its warehouse by 12 percent in 1988.

The average value of its inventory rose from $6.8 million to $7.1 million with increased emphasis on plumbing, electrical parts and building materials.

It broadened its plumbing and accessories category by 19 percent, or by 24 percent in dollar volume. It also deepened the electricals offering by 12 percent, the equivalent of 13 percent in dollar value, according to its president, Jim Tipton.

In response to its dealers, the co-op now stocks a wider array of building materials, including roofing products. In addition, this category generated 17.7 percent greater sales in 1988 than the previous year.

Connecticut Hardware begins expansion plans

Last year was one of modernization for the hardlines co-op Connecticut Hardware. This year will be one of expansion.

The buying group began testing a new electronic ordering system for its dealers in late September, supplying them with hand-held MIS PDT-2 machines. This system went completely on-line Jan. 1.

The co-op also took some austerity measures last year, most specifically by trimming its stockkeeping unit totals by 40 percent to 15,000, mostly in the area of housewares.

Mogren told *NHCN* that Connecticut Hardware's goal in 1989 will be to increase its 58-dealer membership by 8-to-10 percent, primarily by expanding its coverage into Rhode Island and Fairfield County.

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ANNUAL CENSUS

HARDLINES WHOLESALERS

Raw material costs create flat plumbing parts market

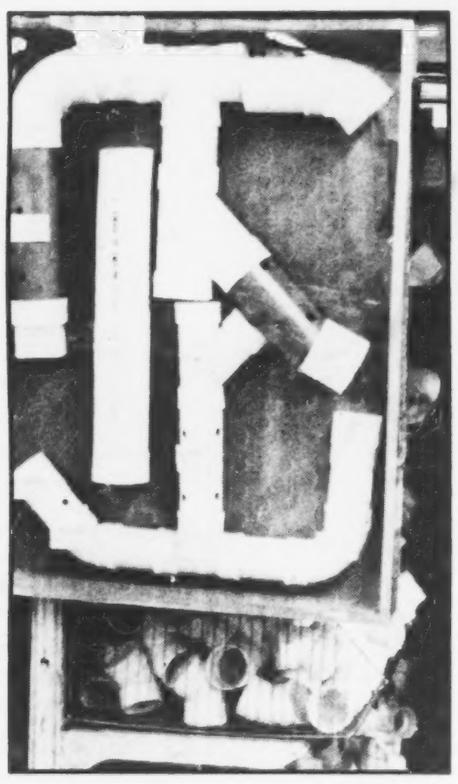
Two words come to mind describing the plumbing parts category in 1988: "disgusting" and Sears.

Raw material costs hiked retail prices some 25 percent last year, to the chagrin of many dealers.

"Prices were disgusting last year," said one of the retail industry's largest volume plumbing parts buyers. The seesaw pricing of plastic components were on the full upswing in 1988. Copper followed suit.

"It was a flat year to pass on price increases, especially in pipe products," said Dwight Van Steenkiste, executive vp of Genova Products, Davison, Mich. Now, Van Steenkiste says, with a drop in much of the cost of resins, some of last year's increases will have to be passed on in 1989. Manufacturers were successful in passing along pipe price increases but unsuccessful in raising the price of fittings in the last year.

Resins for PVC and other plastics rose in price from 35 percent to 60 percent last year, in part because manufacturing here reached capacity and because international markets took more of the European resin capacity normally headed to the North American market.



Raw material costs hiked retail prices 25 percent last year, but it was a flat year to pass on price increases, especially in pipe products. NHCN photo

The weak dollar had a lot to do with the hike in PVC, copper and other metals last year. Foreign demand kept much of the import metal overseas as the price of copper rose from 68 cents per pound in 1987 to nearly double that in the summer of 1988. In addition to increased prices, there were shortages of malleable pipe and basic fittings.

Lead times to retailers should swing back to a normal five to seven days this year, after last summer's 30-day delivery schedules and imposed allocations. There was a short run on pipe toward the end of summer in 1988 as retailers reacted to an "artificial fear of higher prices," Van Steenkiste said.

Even though there's been a movement back to bulk presentation, vendors and retailers moved to more point of purchase and carded DIY information. The continuing effort to educate consumers is an attempt to both demystify plumbing and keep consumers from turning to contractors and taking DIY dollars out of the stores.

Last year also saw Sears, the nation's largest retailer, kick off its branded products experiment with plumbing parts from Chicago Speciality and Brass Craft/Plumb Shop.

Sears' move was an industry shocker and pleasant news for a Chicago-area marketing group, Sentry Hardware. Some of Sentry's 15 wholesalers will supply Sears' burgeoning Paint & Hardware stores with plumbing and heating lines.

The rationale, according to Sears officials, came from Sears' own Installed Home Improvement program, which uses only branded lines. The program continued to grow into 1989 when several long runs of plumbing parts were unveiled at another new Sears offering, Sears Ltd. in Chicago.

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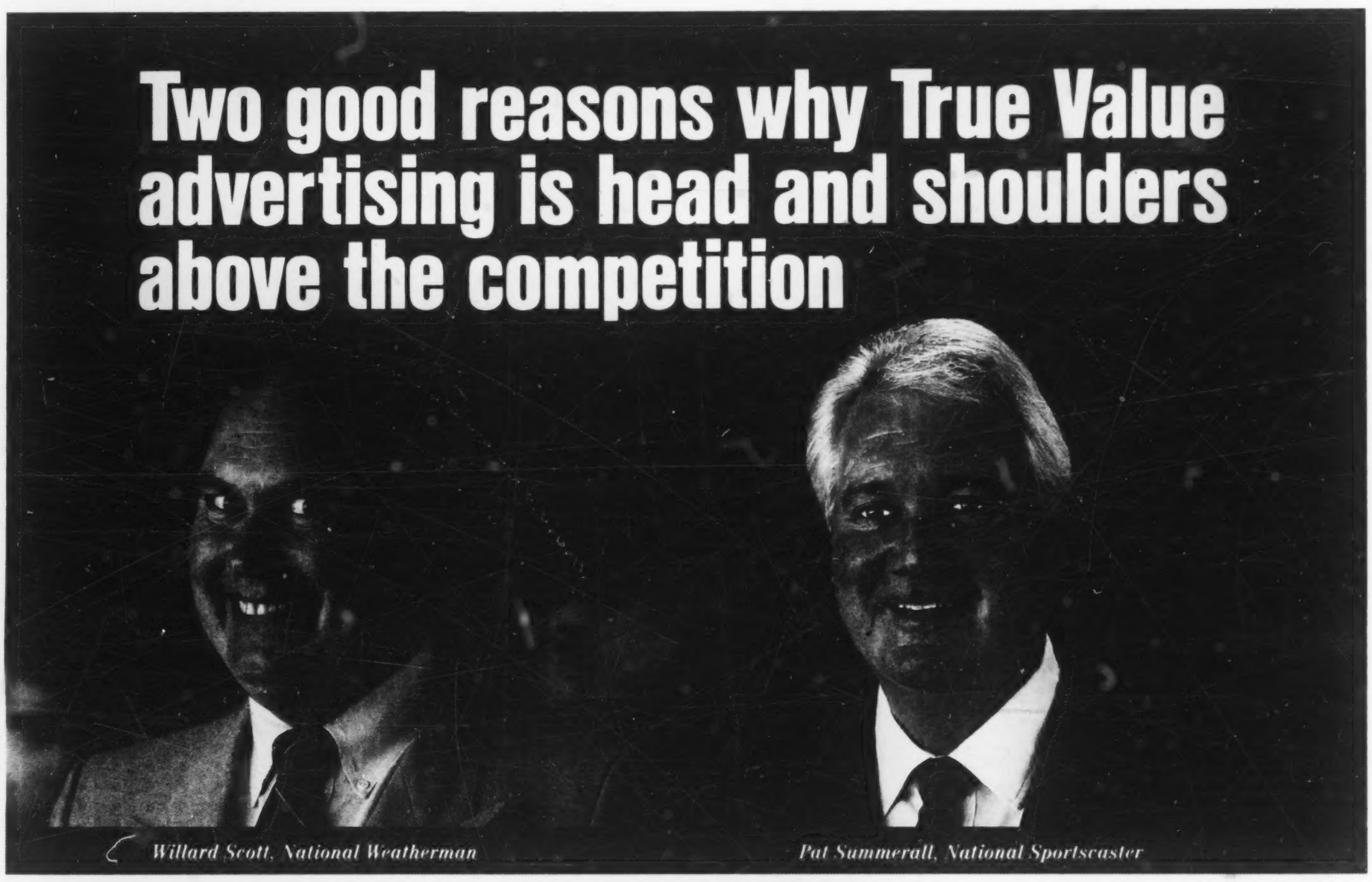

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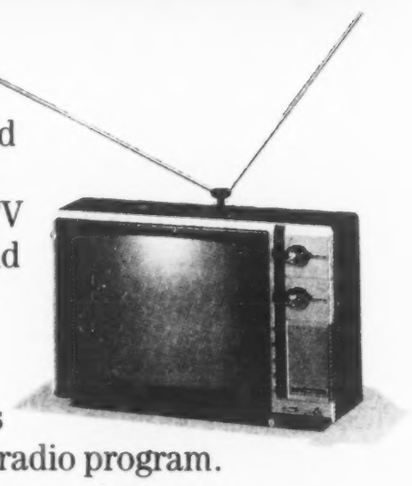

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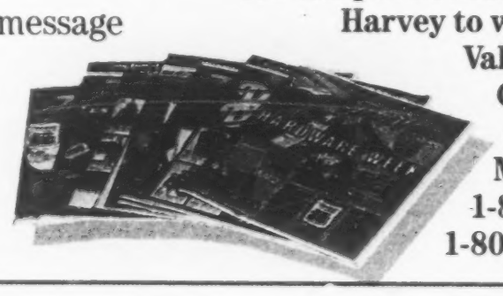

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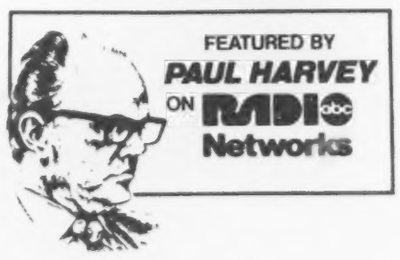

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ANNUAL CENSUS

HARDLINES WHOLESALERS

Hardware industry grapples with bar coding demands

Greater demand for decorative products found hardware suppliers expanding their lines in 1988, a trend that is expected to continue through 1989.

Hardware suppliers, like the rest of the industry, are also attempting to keep up with the dealer demands for bar coding, not an easy task in a product category that includes lines that traditionally are sold in bulk packs or loose.

Vendors interviewed last month report that sales and profits from their products were strong in 1988, and have been sustained through the first quarter of this year. "January was up 19 percent for us, February, 10 percent and March, 6 percent," said the vp-marketing for one of the industry's top three hardware suppliers. "April's been a little soft, but we expect business to be good through the remainder of the year."

This is one of the few product categories that remains virtually unaffected by competition, primarily because it commands little brand name preference among consumers. "Margins remain strong because this category is not promotable," said the marketing vp for another supplier.

That situation, perhaps surprisingly, is not expected to change as more companies get into decorative—and therefore potentially more promotionally-oriented—hardware lines this year.

"Dealers are unlikely to be carrying more than one or two lines of any vendor's product, and the fact is that hardware is not 'shopped' by consumers," added Jack Gauthier, marketing manager of consumer products for Stanley Hardware.

American Tack & Hardware will this year be coming out with higher-end decorative products made of "new materials" beyond brass, wood or ceramic, according to vp-marketing Joel Weinberg. National Manufacturing, a late comer to this segment, will be coming out with a 50-sku decorative line, with different packaging from its other products, in a few months.

While the hardware category has been robust for vendors and dealers alike, there are some concerns for the remainder of this year. Ron Hughston, a regional marketing manager for Phifer Wire, was one of several vendors who said the pricing on products rose "dramatically" in 1988 because of raw material cost increases, especially in aluminum. Hughston believes that price hikes will be less severe this year.

Weinberg of American Tack saw more of his dealers requesting that products be shipped direct, "which turns the manufacturer into the wholesaler." And McConnell of National Manufacturing said there was a demand among smaller stores that the manufacturer ship in smaller quantities "so they can have the same number of skus, but less inventory," he said.

But perhaps the biggest challenge for hardware vendors will be to keep up with the growing demand by dealers to bar code their products.

The dilemma for many suppliers in this category is historical in nature: dealers still want to sell some items—fasteners, nails, hooks, etc.—in bulk, and "the technology just doesn't exist for us to put a bar code on something that costs 9 cents, and still make a profit," said Gauthier of Stanley. "Retailers have been resistant to change, but there's going to have to be some compromise in the way they sell hardware if they want it bar-coded."

Stanley, in some cases, has returned to poly-bagging its lines. National is working on a program to print modified price tickets which would be large enough to bar code on.

While they grapple with this, hardware suppliers continue to bring new merchandising and marketing ideas to the category. Hager Hinge's successful ad campaign using recognizable sports figures will be expanded this year with a new raft of athletes.

Stanley will introduce a complete line of closet organizers as well as a revised unirack merchandiser and an expanded wire goods program.

Locksets moving into decorative niche

The entry-door lock category is making plenty of news in the home improvement marketplace, especially on the higher-end of the pricing spectrum where manufacturers are developing fashion-oriented products.

Industry sales of locksets are growing at a rate of 6 to 10 percent annually, according to one leading manufacturer. Replacing locksets is one of the top 10 DIY projects. The category generated $550 million in sales nationwide last year, the manufacturer reported.

Locksets are breaking out of their traditional security protection niche, and are being bought by consumers "for aesthetics and first impressions," said San Francisco-based Schlage Lock's marketing manager, Patrick Murphy.

Weiser Lock, a division of Masco Corp. based in Huntington Beach, Calif., is a leader in the decorative lockset upscaling trend.

Bob Pacelli, marketing director, said Weiser Lock's "major emphasis" in 1989 will be on its "Manhattan Collection," a line of European-produced decorator door hardware featuring a black nickel, enamel-baked finish.

Weiser Lock wants to take "locksets out of the commodity business" and into the home security business, said Pacelli. "There is no reason why a retailer should keep discounting locksets."

Pacelli said retailers who sell "higher-priced, value-added" door hardware can obtain gross margins greater than 50 percent.

Schlage Lock is an innovator in the lockset category. The company recently introduced its new Key 'N Keyless home security electronic lockset and deadbolt. Schlage's Murphy described it as a "revolutionary product" in the lockset category.

The lock works with or without a key and fits most existing door holes. With a built-in alarm and user-programmable 2- , 3- or 4-digit entry codes, the lockset features a wireless infrared communication link to activate the deadbolt. The combination keyed entry and deadbolt with alarm lists for $150. It was scheduled to be shipped at the beginning of this month.

Kwikset Corp., a division of Emhart Hardware Group, Anaheim, Calif., introduced a keyed entry leverset last fall. This is "a new addition to our premium lockset line with the removable cylinders for rekeying convenience so you do not have to take the lockset off the door to rekey," said Bill Miller, marketing manager.

In market trends, Kwikset has observed "evidence of the lever coming on strong as a replacement for the knob style," Miller said. "While we see our leverset sales going up, they are not damaging knob sales," he added.

Another lockset manufacturer, Los Angeles-headquartered Weslock, was bought by J.P. Industries Co., Ann Arbor, Mich., in February 1988 and is adjusting its marketing and manufacturing programs, according to a company official.

The official said the company is promoting new graphics on its packaging which was previewed in March at the National Home Center Show in Chicago.

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ANNUAL CENSUS

HARDLINES WHOLESALERS

Upgrading of K&B market met by fickle consumers

Consumers have demanded more style for their faucet dollar in the last 12 to 18 months. And vendors have promoted more of the decorative and feature-rich lines to retailers almost across the board.

Last year domestic brands began to recapture some of their market share from imports, although most manufacturers have import items in their product assortment, and it is that rare retailer who will stock only domestic faucets in his store.

Sales from the manufacturing end in dollar terms were up an estimated 15 percent over 1987. However, unit sales were flat. Retailers contacted by *NHCN* reported a 15 percent rise in unit sales and a slight increase in dollar volume.

Remodeling sales grow

The reason for the discrepancy between retailers' and manufacturers' dollar sales appears to be caused by fickle consumers. Retailers brought in the decorative and Euro-look kitchen and bath lines two years ago. But much of it, in the $150 to $170 price range, sat on shelves awaiting consumer acceptance.

"Consumers are aware of the variety," explained Len Bottom, Ace Hardware's plumbing merchandise manager, "but they still need an education about all the features" like the high-rise spout or removable sprayer/faucet combinations.

Douglas Rounds, national accounts manager for consumer products at Sterling Plumbing Group, believes a higher average sale price last year was due to an upgrading in both consumer demand and manufacturer output.

"In new home construction, you see a master bedroom with a bathroom suite and a spa. Existing [home improvement] stock doesn't have that but that's what people want," Rounds said. "It's pragmatically justified by consumers who realize that kitchen and bath improvements are the only place to spend money and get it back when you sell the home."

Lending further credence to the upgrading of the market's offering is the appearance of high-end lines supplied by Grohe and other like vendors in the last two years, brands more generally attuned to the high-end contractor and wholesale plumbing supplier.

As always, raw material costs rose last year. Retailers accepted a 5-6 percent price increase, according to Doug Martinez of Price Pfister in California.

Martinez agreed the faucet aftermarket category, in which Price Pfister is settling its niche, is growing at a faster rate than the new construction field. Even while new home construction is down some 34 percent in New England, for example, vendors report increases in remodeling make up for any lost business.

Cutbacks in space and skus

At the store level there were two forces at work last year. First, there's been a widespread decrease in the amount of available shelf space for faucets. And second was the erosion of some designer prices.

Retailers have been looking for more gross margin from valuable shelf space and, at the same time, are looking to pare down suppliers, reports Moen Faucets' vp-sales John Kensey. The other part of the space crunch is the cutting of stockkeeping units in general. Kensey said retailers were overloaded with too many styles of faucet handles, for example, and now both vendors and retailers are trimming their stock.

To meet that shrinkage, some vendors, like Peerless Faucet, redesigned packaging this past year, keeping the product visible either through a plastic shell or package illustration.

In addition, suppliers are urging dealers to use special order merchandisers. Built into the gondola or positioned as a stand-alone unit, the merchandisers present a few real products, a one-to-show presentation, and a complete consumer "wish-book" of products the retailer can have in the store within the span of a week.

On prices, while not widely publicized, manufacturers found offering a quarter of their decorative faucets at prices exceeding $150 was not marketable to retailers anymore. Discounting ensured, and the market share of the decorative lines and Euro-looks fell to a more acceptable 15 percent of sales, while prices are down some $40 at retail.

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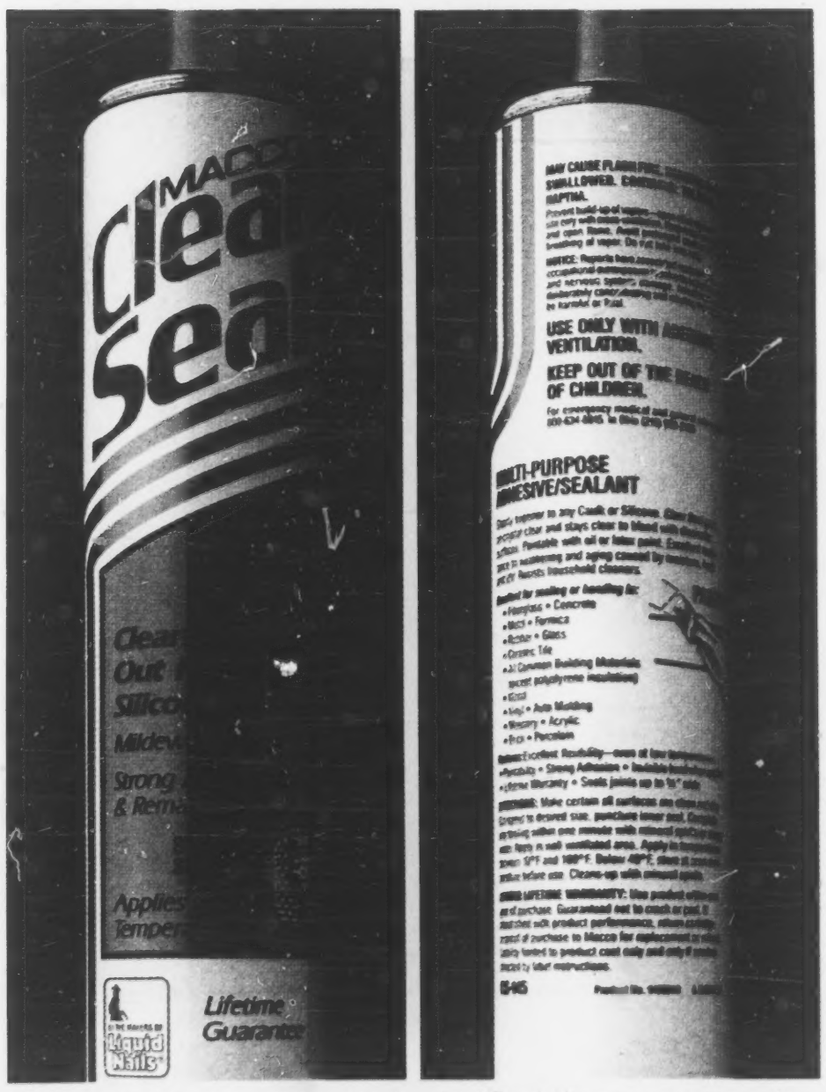

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ANNUAL CENSUS

HARDLINES WHOLESALERS

Water-saving toilets lead the pack in fixtures category

Combine the practicality of low-consumption toilets with the popularity of European design and what you get is a "gangbuster product."

That is how Steve Picker, director of marketing and sales for Eljer Industries, describes the company's Super Water Saver toilet. Produced on the Aqualine label, it went into wide distribution this year.

"It's selling like gangbusters," he said, "surpassing our forecast by literally thousands of units."

Manufacturers say low-consumption toilets are among the hottest items this year in fixtures. Besides Eljer, Kohler, Artesian and Universal-Rundle also report encouraging results from their water-saving models. American Standard plans to introduce its "Aqua Meter" model in Massachusetts in June, according to marketing director John Laughton.

"This is a big, big area," said Steve Ostrolenk, vp-marketing for Universal-Rundle, which has a 1.5 gallon model called the "Atlas."

"European styling" was a catchall phrase used by suppliers to describe many of the new items they're bringing out. The European style, though, has never been clearly defined and is used loosely by manufacturers to convey a more decorative look, according to Ostrolenk, who sums up "European" as "non-conventional chrome." Laughton calls the label "nothing short of meaningless."

Whatever it is, though, European is clearly selling—and not just in toilets.

Porcher, Inc., a French company with a subsidiary in Chicago, reports a growing demand for its "Epoque" sink. Available in wall-mounted and pedestal styles, it embodies "a country French look that consumers can't seem to get enough of," said Donna Cronin, the company's marketing director.

In its new $12 million ad campaign, American Standard is pushing a series of products that would clearly fall into the high-end, European-style category. Among these are cast iron tubs and whirlpools, and the company's new "Roma" suite, which is lined with 24-kt. gold.

Kohler, too, has come out with products that fit the European bill. Its "Pillow Talk" line has a design that suggests stacked pillows, while its "Fleur" line depicts organic, lifelike shapes.

Kohler has brought out its first line of stainless steel sinks and will be competing with such vendors as Elkay on the high end side of the market. Its products come in unusual shapes and are bigger and deeper than conventional models.

In the bath area, perhaps the most convincing evidence of the growing interest in high-end products is the Bootz Plumbingware Co. Based in Chicago, Bootz has produced conventional, low-priced oval bath tubs for 52 years. But this year, it is rolling out a $63 hexagonal-shaped tub, according to sales manager Brenda Pfister.

Clearly, though, water-saving toilets are the fixture to watch this year—especially with more states passing legislation calling for their installation. In March, Massachusetts became the first state to require water-saving models in new bathrooms.

Artesian's "Santa Fe" 1.5 gallon model has performed well in testing and is available in all markets, according to Dick Reese, the company's vp-sales and marketing.

He disputed claims that water-savers don't rinse as well as higher-capacity toilets, saying the Santa Fe has a large water surface area that maximizes sanitary efficiency.

Eljer's model also boasts an "open slotted rim that feeds water to ensure a thorough wash in the bowl."

Laughton of American Standard said the company is slower in getting its model to market because low-consumption does pose design complications and "we want to get it right."

Item	1984 Units (000)	1984 $ (000,000)	1988 Units (000)	1988 $ (000,000)	Sales Growth
Total Lavatories	**7253**	**231**	**7773**	**347**	**50%**
Cast-iron	632	37	715	51	
Steel (Enameled)	2400	25	1542	22	
Vitreous China	4972	90	3112	146	
Cultured Marble	6502	52	1825	95	
Other plastics	751	27	539	29	
Other materials	—	—	40	4	
Total Bathtub/Wall Surround Units	**3943**	**454**	**3786**	**557**	**22%**
Cast Iron	595	106	594	125	
Steel (Enameled)	1280	81	1096	79	
Plastics	1161	161	2092	350	
Other	907	106	4	3	
Water Closet Bowls	**8332**	**282**	**8240**	**376**	**33%**
Flush Tanks	**8120**	**182**	**7442**	**182**	**0**
One-piece Bowls	**265**	**58**	**398**	**107**	**84%**

Source: *NHCN*, Quantum Enterprises, Inc. *NHCN* Chart

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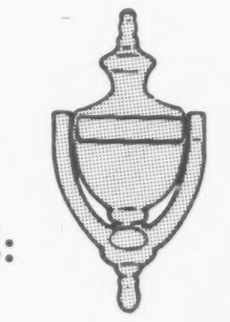

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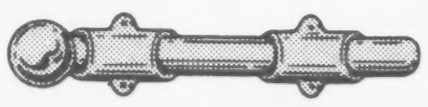

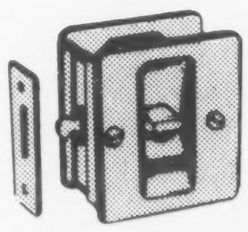

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ANNUAL CENSUS

HARDLINES WHOLESALERS

Creative promos key to reviving slow hand tool sales

With some suppliers seeing essentially flat growth in the hand tool category in 1988, dealers can expect different and creative sale techniques this year from vendors.

Hand tool suppliers admit their items lack the glamour often associated with power tools, a category constantly changing due to new innovations and technology.

"This is a pretty conservative, boring business," said one executive with Stanley Tools of New Britain, Conn., who asked not to be identified. "It's not like power tools where you're always getting new products."

Nevertheless, suppliers such as Steve Couch, director of brand management for Cooper Tools, reported a strong sales year in 1988. However, Couch and others also see some dealer trepidation about an encroaching recession that would adversely affect their business.

Consequently, many tool companies are concentrating on expanding their market share—as opposed to creating new business—as a way to sustain growth, said Jeffrey Cowie, sales and marketing director at John Level and Tool of Mequon, Wis.

These suppliers are left with finding other ways to attract shoppers to their merchandise, since they feel that when you've seen one hand tool, you've seen them all.

American Tool, the Lincoln, Neb.-based supplier of clamping tools, had a record 1988. Robert Brady, executive vp of sales and marketing there, attributed their fortunes last year to effective promotions and consumer advertising.

"The market is flat," said Disston's Springstroh. "It's going to take some innovative things to liven the category up."

One thing Disston has already done this year to excite shoppers is present its new Tiger Force line of handsaws in packages with bold four-color graphics to "add some excitement to the package," Springstroh said.

One marketing strategy Johnson Level and Tool used in 1988 and will continue this year was the heavy promotion of kits and packages with several tools in them, instead of individual items.

Johnson Level is counting on its electronic level, which may be ready for this summer's National Hardware Show, to add excitement to the category.

Despite the stagnant growth experienced by some, manufacturers report better-educated consumers are buying upscale higher-priced items.

What DIYers are searching for is more information on the projects they are working on. Through that, they will become more attuned to what's available in hand tools, said the Stanley spokesman.

And in conjunction with consumers' appetite for higher-end products, the influence of imports in this category is apparently waning, much to the delight of American suppliers. "The pressure from imports in letting up a bit," said Springstroh of Disston. "People are generally less satisfied with the quality of imports."

Future growth of cordless power tools hinges on battery recharging systems

Last year saw the introduction of even more cordless products in the power tools category, and the growth of these items will rest on the refinement of battery charging systems.

"More fine-tuning made cordless still a good category," said Dale Elliott, vp and general manager at Dremel, the supplier based in Racine, Wis.

It is generally agreed by manufacturers that the power tool category expanded by between 6 and 9 percent in 1988, and predictions for this year indicate similar growth.

Black & Decker, the Towson, Md.-based supplier, introduced more than 40 new power tools and 600 new accessories in 1988.

Advancements in technology associated with batteries have allowed suppliers to introduce cordless products which provide the user with power and longevity which rival corded items. B&D introduced an 11-cell, 13.2 volt battery which has wattage roughly equivalent to one-quarter horsepower.

At about the same time, Skil, the supplier based in Chicago, came out with a solar-powered battery recharger for its own line of cordless tools.

And this cordless battle should continue. Jim Ippolito, marketing manager at Ryobi, another Chicago-based power tool supplier, believes improvements in battery charging systems should allow charging times to improve from slightly less than an hour to 15 to 20 minutes.

Suppliers agree benchtop tools will be a hot category in the coming months, since these products are becoming lighter in weight and less expensive.

Gary DiCamillo, vp and president for B&D's U.S. power tools group, sees miter saws growing the fastest in benchtop tools, since they are now convenient enough to take to a job site.

Prices on selected items will rise between 2 and 6 percent this year, staying at or below the inflation rate. Rising copper and steel prices, as well as some turmoil in the ball bearing industry, forced the hikes.

Increased product knowledge by end users continued in 1988 and shows no signs of slowing. "The degree of sophistication is improving," said Elliott. "They seem to be shopping around more."

Uncertainty about the economy was on the minds of some suppliers since interest rates are inching upward and new home construction has been lagging in some areas.

Patrick Griffin, vp-sales at Makita U.S.A., said a falloff in new home construction would translate into more remodeling business and, therefore, growth in the power tool category.

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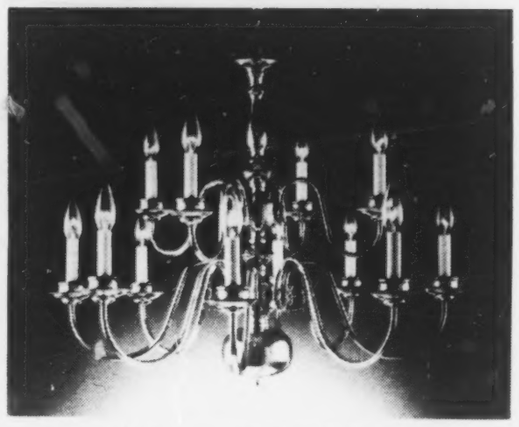

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Circle 36 on Reader Service Card

Protecting spotted owl could hurt the timber industry

(Continued from page 1)
timate the job losses in Oregon and Washington will exceed 80,000."

Shortages could be immediate. "Due to the environmental and wildlife protection regulations, an industrywide 10 percent decrease in timber supply is anticipated," read part of a statement from Georgia-Pacific about the decision.

G-P and Weyerhaeuser, which use little public timber, are not as affected as companies such as Bohemia Lumber in Eugene, Ore. Bohemia, operator of 14 mills in the two states, depends on federal sales for as much as 50 percent of its timber. The company, which supplies a number of home center chains including Wickes Lumber and Builders Emporium, believes continued bans mean the closure of at least one sawmill and one plywood mill, according to Bud Stewart, public affairs officer.

Douglas fir shortages

In addition to price hikes, "in the long term some items will be unavailable at any price," such as high-grade Douglas fir specialty items like marine plywood, molding stock and structural lumber, Stewart said.

At retail there may be shortages of Douglas fir and Western plywood in the next year, a number of officials agreed, with larch and Western spruce-pine-fir being the viable, though less desirable substitutes. More Western Canadian spruce could fill the gap.

"Nothing takes the place of Douglas Fir for strength," the main species affected by the sales ban, observed Ed Valpy, vp and buyer for Furman Lumber in Portland, Ore. Valpy said the Western woods situation may be exacerbated when similar habitat questions arise in Arizona (with the Mexican spotted owl) and east Texas (with the red-breasted woodpecker).

The immediate impact on retail lumber will be an increase in prices on both Western and Southern lumber, according to a senior industry executive. He expects short-term price run ups through May but, "after that, there's no demand for ridiculous price levels, primarily because housing starts are down."

Environmentalists buoyed

Due to a number of lawsuits filed by environmental groups and injunctions granted by the Seattle District Court, 160 timber sales have been halted to protect the owl's habitat. A spokesman for the Sierra Club, one of the 16 plaintiffs in the suits, said the injunctions effectively reduce last year's cut by 25 percent to 30 percent.

Injunctions enjoining the timber sales by the U.S. Forest Service and Bureau of Land Management continue through fiscal 1989. The U.S. Fish & Wildlife Service's April 26 decision further strengthens the environmentalists' cause, mill operators and brokers said.

The Fish & Wildlife Service estimates there are 1,500 Northern spotted owl pairs ranging from northern California to southern British Columbia. The U.S. Forest Service spends $5 million a year in spotted owl habitat research, said David Klinger, Portland director of communications for the agency.

The dark brown bird, which is 16- to 19½ inches in height, prefers old growth, which is the most profitable for the lumber industry. While there is no strict definition, old growth generally means 200-year-old trees or fallen trees on the forest floor, according to one mill spokesman.

Bill Arthur, northwest spokesman for the Sierra Club in Seattle, said there are some 8 billion board feet of old growth in Oregon and Washington already sold—an estimated 18 month to 24 month supply—waiting to be cut.

Arthur admitted there would be some impact on mills in the area but set-asides were necessary to "preserve both the timber industry and old growth."

Arthur said the timber industry, undergoing change for the last 12 years, has to utilize more second growth forests.

Les Hagen, president of the 200-unit Wickes Lumber and a former Western mill operator, called on environmentalists and mills to reach accord without courts.

"We do have timber out there and if we cut intelligently, we'll have it for a long time," Hagen said. "The spotted owl is a problem but have to put it in perspective. We can't kill the lumber business in western Washington [because] of an owl."

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Circle 37 on Reader Service Card

Mr. Goodbuys tightens its operations

(Continued from page 3)
replenishment, more items will be pushed through the DC through cross-docking.

Mr. Goodbuys hired Peat Marwick, the accounting firm, to develop a new mathematical formula for determining order levels. It tested this recently by tracking 40 skus through the various cycles. Vanities was one of the product categories it followed through receiving and in-store transfers.

Goodbuys is installing an IBM AS-400 system to replace its System 38 to give it more capacity, and this will be on line in six weeks.

With the new replenishment system in place, Thornton hopes to work 13 weeks ahead, reduce stocking levels, eliminate stock outs and increase inventory turns to four annually. Although the replenishment system could save 20 percent on payroll costs, in the future store-level employees will concentrate on serving the customer rather than stocking shelves.

To enhance Mr. Goodbuys' key areas in kitchens, baths and millwork, it has opened a 22,000-square-foot millwork shop behind its DC. Here, it assembles outsize bow and bay windows, hangs about 800 doors a week and cuts 150 countertops for all stores.

Mr. Goodbuys is planning to add commercial/industrial accounts shortly, based on its strength in kitchen, bath and millwork.

"We have in place all the key elements to make it a success: a wide assortment, credit card and delivery," said Thornton.

It is also updating its older stores, switching from black to grey walls, improving lighting, and adding fixtures to its merchandise displays.

Fine-tuned product mix

In its Grant Avenue store in Philadelphia, it is testing a self-service stock area adjoining the bath department. Here, customers can pick out their own merchandise without help.

In all stores, it has dispensed with some of the fashion and peripheral goods to free up space for an expanded lawn and garden department.

"We still want to be the leader in this area but not go after fashion for sake of fashion. Fashion has its place, but it must make sense," said Thornton.

Five months ago, Mr. Goodbuys cut comforters and bed linens from its linen department, and now only stocks table cloths and towels, which align with the bath department.

Patio furniture has taken the space of linens and is merchandised alongside barbecues and electricals in the stores. This will be replaced with a new Trim-a-Tree department in the winter.

The lawn and garden department has doubled in size to 15,000 square feet, by absorbing the area previously used for patio furniture. The chain expanded its bagged goods and now stocks fertilizers, pesticides and a variety of wood and marble chips.

After last year's successful introduction of lawn mowers, it has added riding mowers and expanded its long-handle tools run to 24 feet.

Close-out merchandise from its linen department is now sold in its Brooklyn Park, Md., unit (The store was vacated when Goodbuys moved to a new unit.) This "Goodbuys Outlet Store" is, however, only a temporary measure and will cease to exist when the two year lease runs out.

Nevertheless, Goodbuys is having trouble convincing people of the bargains to be had; when it ran a half-price ad which was in fact "below cost," its stores had little customer response.

"People are becoming jaded with sales," said Thornton, who is working towards an every day low pricing strategy chainwide.

Taiwan tool maker backs off pliers suit

By an NHCN staff editor

TAIPEI, Taiwan — After two appeals, a Taiwanese tool maker backed off its attempt to usurp an American trademark for locking pliers.

Mao-Chieh Industries Ltd. had sought to invalidate the 65-year-old Vise-Grip trademark of American Tool Co., Lincoln, Neb. Mao-Chieh contended in Taiwanese courts that Vise-Grip had become a commodity or generic name, like aspirin or cellophane, counsel for American Tool explained. *NHCN* was unable to contact the Taiwanese tool maker.

According to James Siegel, American Tool's lawyer, Mao-Chieh distributed Taiwanese-made locking pliers in Korea in packaging "almost identical" to American Tool's. The Taiwanese company used the name Vise-Clip.

A Taiwanese trademark office judge ruled in American Tool's favor as did another, higher court. Mao-Chieh failed in its appeal to a final judicial court and the attempt to usurp American's trademark was dismissed.

American Tool has trademarks on its locking pliers filed in 78 countries, Siegel said.

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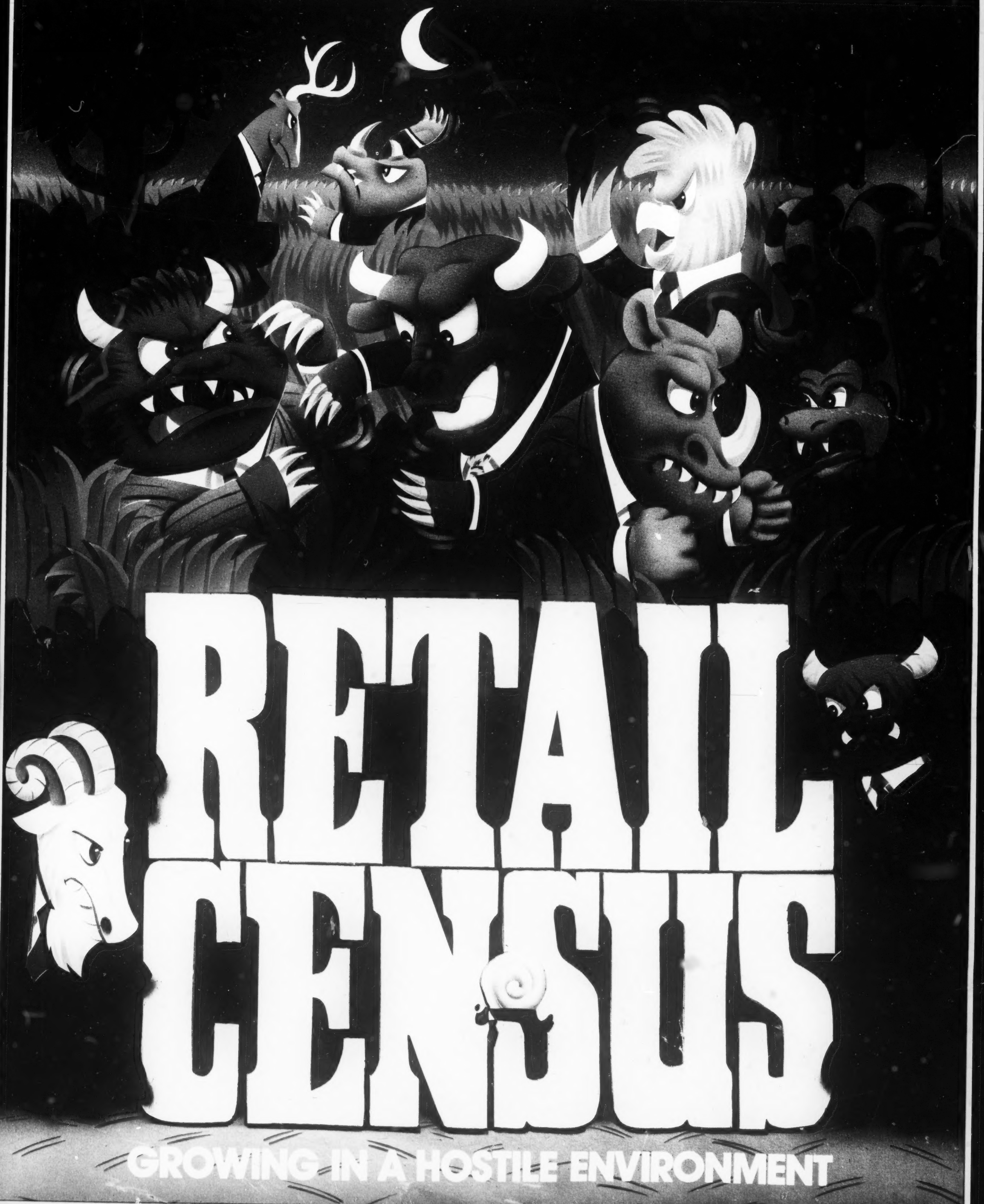
Vol. 15, No. 11 $3 a copy The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. May 29, 1989

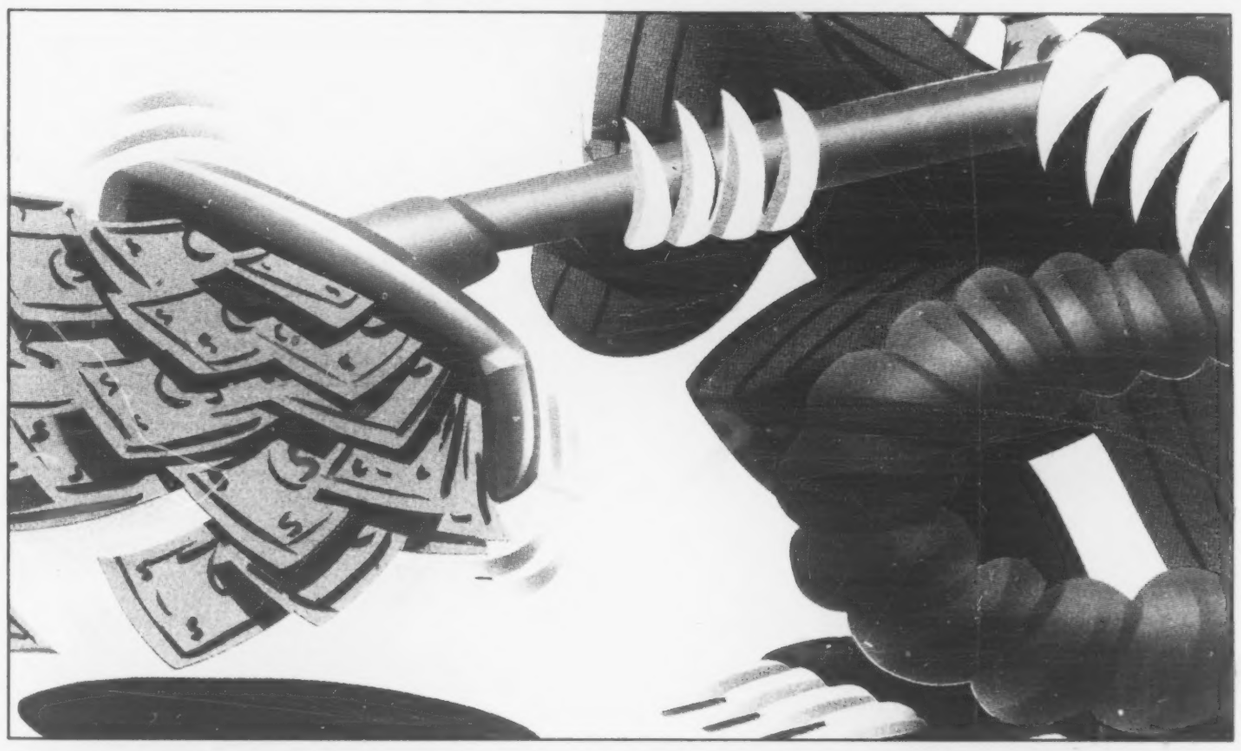


RETAIL CENSUS

GROWING IN A HOSTILE ENVIRONMENT

RETAIL CENSUS

In This Issue



The $107 billion retail home improvement industry remains extremely fragmented. But slowly, the bigger chains—and particularly those ranking among the 10 largest in sales—are taking a bigger slice of the total market.

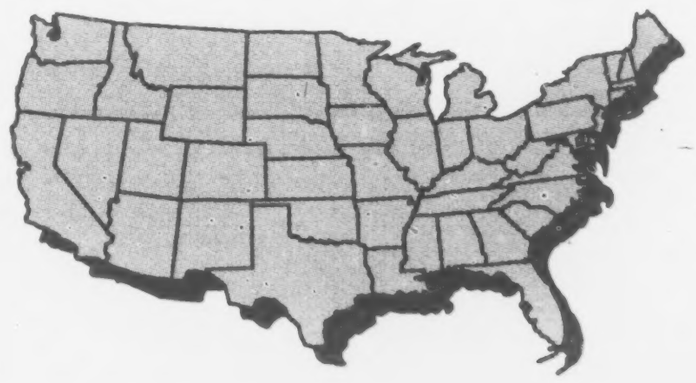
They are doing this with a combination of new store growth and internal store expansion, which has seen the average showroom size increase dramatically and sales per store expand.

But the smaller operators are fighting back with broader product assortments and service. And many of these are willing to concede market share in favor of bottom line stability and growth.

8

The country's home improvement volume remained robust in 1988, growing at a 9 percent pace.

The Southeast was marked by accelerated expansion in Florida and the hints of recovery in Texas. The first signs of slowdown in California appeared, and the Northeast was catching its breath after two solid growth years. And Midwest markets are becoming increasingly important to the vitality of the industry.



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The past four years have seen a slight decline in the number of stores operated by the industry's top 100 home center chains. At the same time the size of stores, particularly among the top 10, has expanded appreciably over this same period, which has translated into a big jump in store sales productivity.

This square footage growth was also evident, but to a lesser degree, among the second tier of 90 companies over this period. But their percentage of the industry's total sales volume has been slipping slightly since 1985, as the major chains penetrate their markets with new—or greatly expanded existing—units.

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RETAIL CENSUS

Biggest players sweep up a larger share of the market

By John Caulfield

Fish gotta swim, birds gotta fly, and home centers gotta get bigger.

The retail home improvement industry enjoyed another solid year of growth in 1988, with revenues of the top 300 companies jumping 9 percent to $31.8 billion. This was spurred in large measure by the expansion of stores and product assortments by chains and independents alike.

Many, many dealers paid much closer attention to their bottom line last year and laid the groundwork for what they expect to be stronger sales and earnings growth in 1989. Even companies whose profits and revenues were off in 1988 were budgeting for increases of anywhere from 10 percent to 300 percent.

Industry fragmentation in question

That optimism, though, is couched in uncertainty and outright trepidation about where the industry is headed. Parts of the industry look shaky, as a number of large and mid-sized chains—Grossman's, Channel, Builders Emporium, Orchard Supply Hardware, Williams Brothers—have either been sold or put up for sale. And everyone's wondering where the top handful of companies are directing their energies, as these firms are taking a bigger bite out of the total market than ever before.

Last year confirmed two things: that the home improvement industry is a long way from being controlled by a mammoth few chains, as is the case in discounting; but also that any way you slice it, the big guys in this industry are beginning to wield their considerable clout and conquer more markets.

A few statistics bear these out: It is said that K mart, the discount industry's largest retailer, controls around 20 percent of the market. Lowe's, the biggest home center chain, controlled 3.3 percent of the total $77.2 billion in retail hardlines and building materials sales in 1988.

Sales from all 300 retailers listed in this year's Census accounted for only 41.2 percent of the industry's volume, about the same as in 1987, which means there's a whole bunch of small companies out there still getting three-fifths of the pie.

However, the market share grip of the largest chains is tighter than ever, especially when one compares it to a decade ago.

In 1979, the top 10 companies' sales made up 11.3 percent of the $44.1 billion total. Last year, the top 10 accounted for 17.95 percent of the $77 billion. This becomes even more pronounced when the industry is evaluated in tiers: in 1988, the top 25 chains generated more than one quarter of the industry's sales; the top 50, 30 percent.

The most obvious reason for this segmented consolidation has been the Gen. Sherman-like march on this industry by the warehouse operators, which were virtually non-existent a decade ago except for three Home Depot units.

Now, all three companies—Home Depot, Builders Square and HomeClub—are among the industry's 10 largest companies, and their combined sales last year accounted for almost 6 percent of the total market.

Growth without growth

The appearance and success of the warehouse units in many ways have revolutionized the thinking of the industry about how their own stores should look and be operated. In no other area is this more true than in store size.

For some, this has meant simply opening larger stores. But adding newer, larger units in this era of bottom-line scrutiny no longer seems as viable an option as it did five years ago. Instead, more companies want more out of what they already operate.

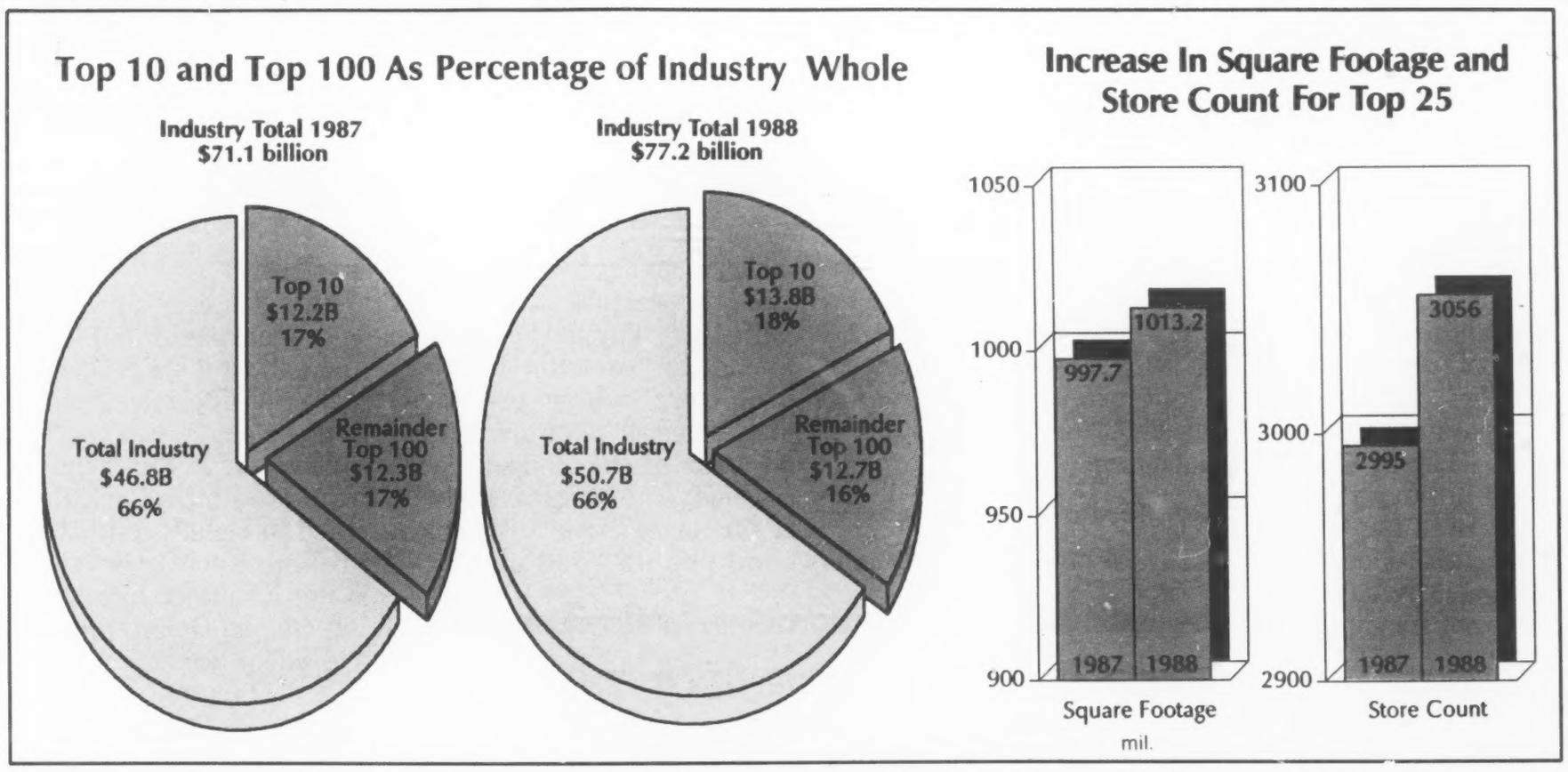
There was new store growth in 1988, but it was marginal: the top 300 chains only opened a combined 129 new units last year, of which 61 were opened by the top 10 chains. And the warehouse operators accounted for a great portion of the store count and square footage gains made last year. But those bare statistics mask the more prevalent internal growth of existing units that was accomplished but dealers large and small.

For example, Lowe's had a net gain of only one new store last year. But through remodeling and replacing older units with larger-format new stores, the North Carolina-based chain added 272,912 square feet to the market.

Grossman's has been winnowing down its store count, often replacing two older stores with one new facility. The Braintree, Mass.-based retailer actually reduced its overall store number by 12 to 246 units in 1988, but added an aggregate 280,104 square feet.

This continued right down the line: Pay 'N Pak opened five stores last year, adding 169,500 square feet, but remodeling expanded existing facilities by another 132,000 square feet. Handy Andy Home Improvement bumped the average size of its existing showrooms up nearly 5 percent, opened five new stores and added a total of more than 333,000 square feet.

This activity has paid dividends for home improvement dealers. The 33 percent sales rise A.C. Houston's stores produced last year comes after the Wichita, Kan.-based dealer increased its show-



rooms to 20,000 square feet from 17,000. Chase-Pitkin, the Rochester, N.Y.-based chain, expanded its showrooms to 48,000 square feet from 45,000, and saw its sales jump 11 percent. Latham Home Center, an independent in Roseville, Calif., doubled its stores' showroom space to 10,000 square feet and enjoyed a 20 percent sales gain.

This cause-and-effect doesn't always hold true: some companies that added more space to existing units experienced a sales dip last year, just as others that reduced their showrooms increased their volumes. But as a rule, dealers who increased their sales floors saw positive results.

Product mix broadened

With all this extra space, dealers had to find new products to fill in the gaps, and quite a few concentrated on a few basic areas: plumbing and electrical, millwork and kitchens.

As a result, there was a considerable expansion of stockkeeping units by a sizable number of dealers, even though the average sku count for the top 300 companies grew infinitesimally to 14,081 items.

For example, Pergament Home Centers, the Melville, N.Y.-based chain that has been opening much larger stores, expanded its offerings in lumber, building materials, housewares, electricals and lighting, and grew its product mix by nearly 3,000 items to 40,000.

P. F. O'Connor, the Massachusetts independent that opened a 300,000-square-foot facility a year ago, saw its sku count rise to 15,000 from 11,000. All American Home Center, the Downey, Calif.-based independent with a 140,000-square-foot store, jacked its mix up to 95,000 items from 85,000.

Even companies that didn't increase their stores' item count significantly tinkered with their mixes. For example, JT's Home Centers in Rhode Island for the first time added drywall and a flooring installation service, and will bring on prehung doors this year. Supply One in Rancho Cordova, Calif., expanded kitchen cabinets and lighting in its three units. And like many dealers, the 64-unit Diamond Lumber and the three-store Pine Tree Lumber in Escondido, Calif., heightened their millwork profiles.

Lower sales, higher profits

Not everyone bought into this product expansion drive, however, and an equally significant segment of the industry sought to reduce product assortments to improve profitability.

"Our main emphasis was identifying the productivity of the skus in our system, and replacing or eliminating the unproductive ones," said Jud Walford, who until his resignation this month was executive vp-merchandising for Builders Square, which last year cut thousands of items from its stores' mixes.

Another example of this was Babbitt Brothers Trading Co., the seven-unit chain based in Flagstaff, Ariz., which expanded its millwork and flooring departments, but overall decreased its assortment by 3,000 items to 17,000.

As a result, Babbitt's experienced the latest trend in home improvement retailing: less sales but higher profitability. The chain's business fell off slightly to $28 million but, according to vp-home improvement David Chambers, the profits from his division were up 85 percent, and 60 percent for the chain overall. In addition, Babbitt's is budgeting for another 40 percent income gain in 1989.

Store productivity unquestionably will be the goal of the majority of home improvement retailers in 1989, even if that means conceding market share.

"Last year, our sales were up substantially, and we're looking to expand but we won't grow just for the sake of growing," said Ellis Goebel, vp-finance for BMC West, the 20-unit chain in Boise, Idaho. This mentality cuts across all dealers, whether their businesses were up or down last year.

Even though its 1988 sales were off 10 percent, Aaron's Lumber, the Bakersfield, Calif. independent, saw its profits rise 40 percent in 1988, and its officials foresee another 25 percent jump, on a 10 percent sales gain, this year. After a flat 1988, Douglas Lumber in Smithfield, R.I., is budgeting for a 15 percent profit gain. Hancock Lumber in Maine expects to double its net income in 1989, after a year when its sales fell by almost one-fifth and its profits were flat.

The companies that succeeded last year expect more of the same thing this year. Ply-Marts in Norcross, Ga., enjoyed a 30 percent profit gain in 1988, and is looking for a 10 percent boost in sales and profits this year. Ernst Home & Nursery, whose 1988 profits were siphoned off to pay for the remodeling of all of its 73 stores last year, is looking for that retrofitting to increase profits by 300 percent in 1989 and sales by 20 percent, according to the chain's vp-finance Mike Baumann.

Profits were up 20 percent at The Andersons in Maumee, Ohio, in 1988, and that chain's executives feel their stores will produce another banner year, with sales increasing 15 percent and earnings up 20 percent.

None of these dealers is too specific about how his stores are going to accomplish these projections. It does appear, however, that any success they've had in the past or will have in the future hinges on the dedication and productivity of store employees.

To that end, retailers are expanding their employee education programs and incentives.

Al Meier, president of the six-unit chain in Tacoma, Wash., that bears his name, said that the most important measure he took last year was providing "more product knowledge for all our employees, and having motivational meetings and classes for our salespeople."

Central Valley Builders Supply, the two-store operation in St. Helena, Calif., kicked off an employee bonus system based on total company payroll, and reorganized and separated the functions of its sales and operations personnel.

JT's, the Rhode Island dealer, has begun experimenting with commissioned salesmen in two of its stores. Lummus Lumber in Atlanta held a sales contest among it five store managers, with the manager of the highest-volume unit getting a trip to Las Vegas, and employees getting a bonus equal to 5 percent of their salaries.

RETAIL CENSUS

Retailers offer incentives to boost worker productivity

Just before Christmas 1987, the president of a small Michigan lumber company vowed to take his 46 employees and their families on a Caribbean cruise if the company bettered its previous year's sales.

The incentive worked. By the following October, John's Lumber had reached its sales goal, and last January the business closed for a week as the president fulfilled his promise.

The gift by John's Lumber illustrates the importance that retailers place on worker productivity, an issue which is becoming increasingly more important as the tightening market limits the number of home centers that retailers may open.

And whether it's an employee stock ownership program (ESOP), or a simple pat on the back, retailers agree it is the reward that motivates employees.

"The people on the floor can make or break a company," said Lonnie Fogel, a spokesman for Home Depot. "That's why anyone who does well with us is going to know we appreciate it, and be given substantial opportunity for advancement."

Home Depot and two other retail chains—Pay 'N Pak and Lowe's—are three of the biggest companies that have ESOPs. Details of Home Depot's program, introduced last year, were not made available, but the one at Lowe's is among the best known in all of retailing.

Employees own 30 percent of Lowe's, and contribute 12 to 15 percent of their annual pay. In return, management makes a comparable contribution.

"The idea is that the employees are owners themselves," explained Clarissa Felts, Lowe's manager of investor research. "The better the company does, the better the employee does."

Since it was instituted in 1978, Felts said, the program has created 15 millionaires, including those from the ranks of clerks and truck drivers who retired.

Another incentive program at Lowe's—"Beat a billion, win a million"—was introduced last year and is meant to boost productivity among salesmen and area and store managers.

Bonuses for exceeding quota

Pay 'N Pak, the 100-unit chain based in Kent, Wash., claims that its employees are the industry's most productive, using a sales-to-employee ratio. Tim Lucia, the company's marketing director, credited the chain's ESOP, which is similar to others, plus two other factors.

> "The people on the floor can make or break a company. That's why anyone who does well with us is going to know we appreciate it, and be given substantial opportunity for advancement."
>
> —**Lonnie Fogel,** *spokesman, Home Depot*

In 1988, Pay 'N Pak introduced its "security builder program," which provides cash bonuses when quotas in all areas of the company are reached. The other incentive is far more basic: "We pay good people good money," said Lucia.

A spokesman for Interstate Lumber Co. in Indianapolis, which has had an ESOP since 1986, said paramount to its program was conveying to the rank and file the way in which it works.

"It's not easy for everyone to understand, and if they know about it inside and out, it makes a difference," said the spokesman.

Critics of ESOPs argue that because employees do not stand to benefit until they retire and cash in their stocks, it is not an effective motivator. But Gianna Durso, project coordinator for the Oakland-based National Center for Employee Ownership, disagrees.

"Our figures indicate that employee-owned companies grow 8 to 11 percent faster than those that are not," said Durso. "Employees know that money is money, whenever you get it."

Durso said that besides ESOPs, management uses gain and profit sharing as well as elaborate bonus and benefit plans, to encourage productivity.

Appreciation appreciated

But however effective these may be, most retailers say

(Continued on page 12)

Dealer service expands as home building slows

As housing slows, dealers have begun wooing home builders with a variety of services and personal attention.

At the same time, these stores are aggressively seeking new niches in both the industrial and commercial fields, as well as targeting the illusive remodeler. All are methods of bolstering their sales and profit margins.

As a result of their attempts to secure more high ticket sales, many dealers have remodeled their millwork, kitchen and bath departments. Some have even spun off freestanding specialty showrooms offering both contractors and consumers highly specialized services.

Payless Cashways, 84 Lumber, Lowe's and Diamond Lumber are just a few of the chains stepping up their services to the professional customer, including the remodeler.

Payless Cashways deepened its assortment of key categories, including tools, kitchens and millwork; its subsidiary, the eight-unit Somerville Lumber, added an outside contractor sales staff for the first time last year.

However, dealers still have problems identifying and targeting the remodeler. Diamond Lumber, the 64-unit Dallas-based chain, now exhibits at regional and national remodeling shows and takes out ads in the national remodeling magazines.

Lowe's, the North Wilkesboro, N.C.-based chain, launched a private label "Advantage" credit card for its remodelers and has already enrolled 40,000 accounts.

Some dealers are now drawing potential customers into their locations by running "Remodeling Workshops." These special seminars, designed by Owens-Corning, focus on a series of videos. The first is designed to help remodelers manage their businesses better.

General Building Products, the Medford, N.Y.-based chain, has taken O-C's program and combined it with a product presentation and a walk-through of its facilities for its professional clients.

In response to dealers' demands, Owens Corning will condense the program, originally designed for two years, and combine the next two videos into one this fall. This video will deal with both managing for profit and marketing and sales.

(Continued on page 12)

Home centers step up their screening efforts amidst skilled worker shortage

Home center dealers across the nation need people in a bad way. But unlike the "people who need people" in the Barbara Streisand song, the dealers don't consider themselves "the luckiest people in the world" because of that.

It is no secret that New England and the West Coast have had a shortage of personnel to work in retail positions. But 1988 is the year which saw that shortage move to other parts of the country, and this situation is unlikely to abate in 1989.

The last year the number of 18-to-24 year olds increased in the nation was 1982 and that number, so important because these are the people predominantly working in retail, won't increase again until 1997, said Carl Steidtmann, vp and chief economist at Management Horizons, the retail forecaster in Dublin, Ohio.

"You can't make 18-year-olds overnight," says Steidtmann.

He sees two avenues retailers can take to approach the problem. The first is simply pay more money.

The second is to value and cherish these people on the sales floors. "Organizations will change and come to realize a person on the sales floor is just as important as the merchandise buyer," Steidtmann says.

Retailers are locked in a Catch 22 dilemma. Not only is there a shortage of workers, *per se*, but an even greater shortage of *skilled* employees. Consequently, dealers are faced with the arduous task of screening new applicants and, often, needing to train new workers in even the basics of employment.

In order to weed out possible problem hires, some retailers use personality tests to prescreen potential employees to find out if they are risks. But if every slight potential risk for theft and drug use is ruled out, that may not leave too many prospects left to hire.

> "Organizations will change and come to realize a person on the sales floor is just as important as the merchandise buyer."
>
> —**Carl Steidtmann,** *vp and chief economist, Management Horizons*

Hardware Wholesalers Inc. (HWI), the cooperative based in Fort Wayne, Ind., started a program last year for its dealers which uses extensive testing to evaluate both job prospects and current employees.

HWI administers a four-part test to job applicants which attempts to measure four traits: honesty, criminal history, drug-alcohol use and attitudes, and work and education.

Reid Psychological Systems scores the test and reports back to HWI with one of three results—qualified, qualified recommended or not recommended.

Another two-part exam attempts to identify current HWI employees who may be involved with or aware of internal security violations, questionable cash handling policies or drug and alcohol use.

The Northeast became the focal point of this personnel crisis last year, particularly with the expansion into the market by the Home Depot, Hechinger and Builders Square, each with stores that require considerable numbers of employees, and all placing a premium on in-store customer service.

Rickel Home Centers, the chain based in South Plainfield, N.J., made the boldest move on the hiring front in 1988 by hiring 14-year-old workers to handle merchandise, stock shelves and, in

(Continued on page 12)

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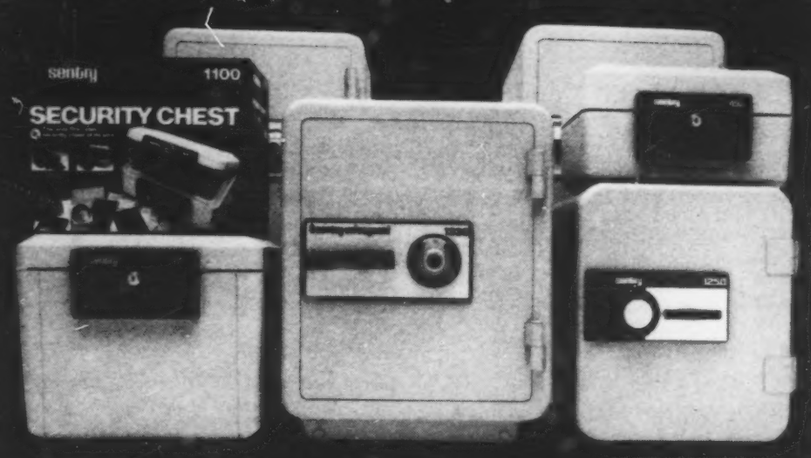

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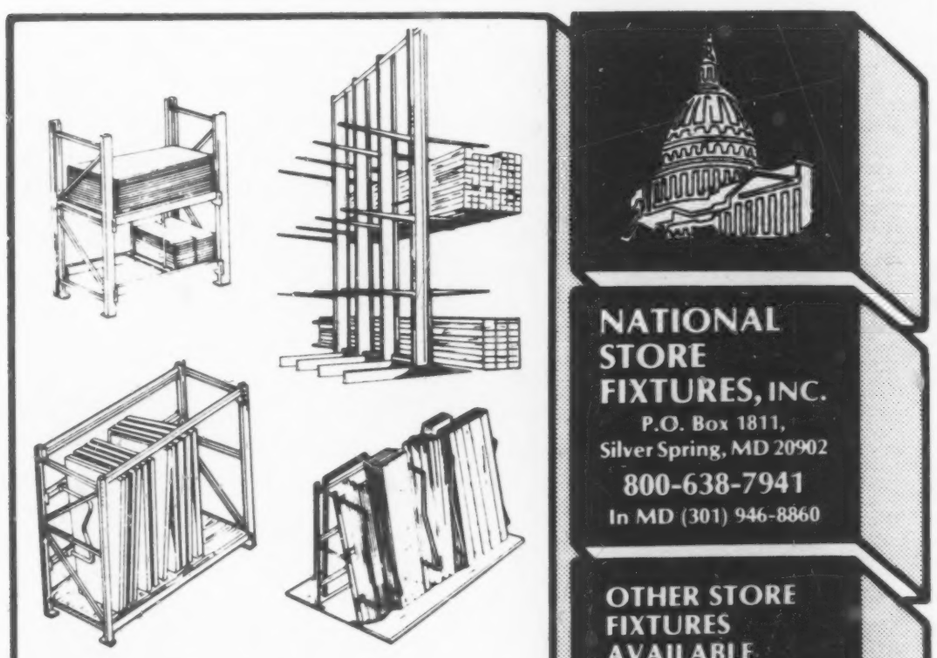

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RETAIL CENSUS

Retailers focus on incentives for workers as home center market tightens

(Continued from page 10)
they should be supplemented with more humane forms of motivation.

"We try and compliment people constantly on the good job they do, and it seems to be working," said Jay Taylor, director of purchasing for Elliott's Hardware Store in Dallas.

Taylor said a few years back Elliott's employees, which number 123, filed a formal complaint with management, stating they were not thanked enough for their work. Since then, things have changed for the better. "We're not as good at it as we should be, but we're trying," explained Taylor.

Another productivity booster, according to Fogel of Home Depot, is continuous employee training. This shows employees that the company views them as important, as does seeking out their opinions on various company decision-making policies.

"We call it moving decision-making to the lowest levels, and we think we're pretty good at it," said Fogel.

He said this was a compelling reason why the Home Depot lists former employees of competing stores among its workforce of some 15,000 people.

Customer service key as dealers respond to sluggish housing market

(Continued from page 10)
Some independents have joined forces with manufacturers to open specialty retail outlets, often in more urban locations, to service both the professional and the consumer.

Hancock Lumber, the Casco, Maine-based chain, opened an Eagle Window store in Lewiston, Maine, which marked the first specialty millwork outlet for this rural lumberyard.

Cofax Building Centers is one of many dealers now opening Peachtree Planning Centers, a specialty door and window showroom. Although designed primarily to tap consumer traffic by locating in retail strip centers, Cofax found that contractors represented half of its walk-in trade. The independent was also able to recapture its millwork business from the hands of specialty competitors.

Contractor yards are having to cope with greater demand for services, particularly as they venture deeply into the kitchen arena.

A kitchen design ~~service~~ is considered a given before contractors will buy from Babbitt Brothers, in Cottongood, Ariz. Builderama's contractor division offers its builder customers installed services, which account for about 40 percent of its total kitchen sales.

Addington-Beaman, the $50 million Norfolk, Va.-based company, offers its contractor customers a wide variety of installation services, including vinyl siding and insulation.

Many dealers now have a variety of state-of-the-art software systems designed to help their builder customer with estimates, material take offs and even customizing houses.

Some dealers are also enhancing their service image by adding new computer systems which allow their customers to tap into their inventories and place orders. This cuts down administrative time in handling accounts in the traditional manner.

At Canyon Drive Lumber, Amarillo, Texas, contractors are given a secured password which gives them access into the retailer's inventory data base. In this way, the contractor can learn how large the inventory is for a given product, whether it is on order, when it will be delivered and how much it costs.

Speed of delivery can often determine whether the dealers get the orders or not. Fleming Lumber offers a two hour delivery service to its contractor customers in its Los Angeles market. In addition, East Coast Lumber in East Hampstead, N.H., is one of several dealers now running special express vans for emergency orders.

Home centers wrestle with worker shortage

(Continued from page 10)
some cases, work the sales floors (*NHCN*, Jan. 16).

While the up side of this was such young workers may not have developed bad working habits yet, the downside was stringent state and federal regulations limit the hours teenagers can work.

Steidtmann sees more retailers following Rickel's approach in hiring people who were not even considered employable five or 10 years ago. For instance, the mentally retarded now work in some McDonald's restaurants.

However, in the same market Home Depot manned its new stores in New Jersey and Connecticut by promoting the fact that its entry level salaries were well above the going rate locally. It interviewed more than 1,500 people to find 100 to work in its first New Jersey operation.

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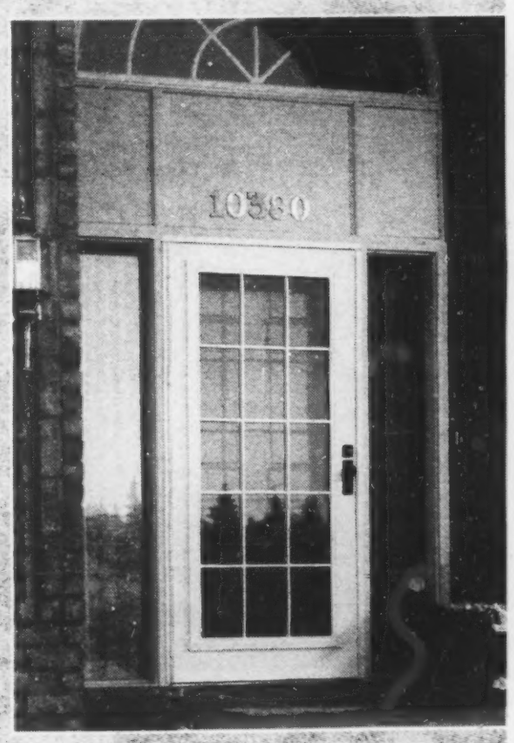

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NATIONAL HOME CENTER NEWS—INDUSTRY FORECAST

	1987	1988	1989	1990	1991	1992	88/87	89/88	90/89	91/90	92/91
							% change				
ECONOMY *($ billions)*											
GNP $ 1982	3847.0	3995.0	4100.8	4186.9	4291.6	4489.0	3.8	2.6	2.1	2.5	4.6
Real Disposable Income	2686.3	2789.4	2871.0	2931.3	3004.6	3133.8	3.8	2.9	2.1	2.5	4.3
KEY INDICATORS											
Housing Starts *(000's)*	1617	1488	1440	1310	1450	1525	−8.0	− 3.2	−9.0	10.7	5.2
Resales *(000's)*	3526	3465	3325	3200	3375	3500	−1.7	− 4.0	−3.8	5.5	3.7
Mortgage Rate *(%)*	10.2	10.4	11.1	10.4	9.6	9.4	—	—	—	—	—
Prime Rate *(%)*	8.2	9.4	11.3	8.6	8.5	8.1	—	—	—	—	—
Consumer Price Index*	113.6	118.3	124.4	130.7	137.0	142.8	4.1	5.2	5.1	4.8	4.2
Producer Prices*	105.4	108.1	113.2	119.1	124.6	129.7	2.6	4.7	5.2	4.6	4.1
RESIDENTIAL ALTERATIONS & REPAIRS											
Total *(Current $ millions)*	94325	102153	104014	111274	119391	126793	8.3	1.8	7.0	7.3	6.2
Maintenance	38550	41735	41334	44353	47685	50784	8.2	− 1.0	7.3	7.5	6.5
Additions	39800	43102	44501	47470	50836	53886	8.3	3.2	6.7	7.1	6.0
Replacement	15975	17265	18180	19450	20871	22123	8.1	5.3	7.0	7.3	6.0
Total *(Constant $ millions)*	83069	89521	87825	89279	90771	92587	7.7	− 1.9	1.7	1.7	2.0
Maintenance	33969	36596	34900	35598	36346	37182	7.7	− 4.6	2.0	2.1	2.3
Additions	35029	37791	37575	38101	38596	39291	7.9	− 0.6	1.4	1.3	1.8
Replacement	14071	15134	15350	15580	15830	16114	7.6	1.4	1.5	1.6	1.7
RETAIL TRADE ACTIVITY											
Total *(Current $ millions)*	1521417	1629150	1714872	1840070	1984040	2152684	7.1	5.3	7.3	7.8	8.5
Minus Auto	1186988	1260122	1350685	1450760	1564270	1695669	6.2	7.2	7.4	7.8	8.4
Bldg. Mat'l + Hardware	71063	77163	82372	87798	94185	101306	8.6	6.8	6.6	7.2	7.6
Building Mat'l Stores	57909	63132	66377	70736	75896	81664	9.0	5.1	6.6	7.3	7.6
Hardware Stores	13154	14031	15995	17062	18289	19642	6.7	14.0	6.7	7.2	7.4
Total *(Constant $ millions)*	1357050	1409473	1447261	1474759	1508678	1573552	3.9	2.7	1.9	2.3	4.3
Minus Auto	1076806	1108533	1152121	1176316	1203371	1253912	2.9	3.9	2.1	2.3	4.2
Bldg. Mat'l + Hardware	65062	69226	71263	72146	73126	75783	6.4	2.9	1.2	1.4	3.4
Building Mat'l Stores	53019	56639	57425	58114	58870	60871	6.8	1.4	1.2	1.3	3.4
Hardware Stores	12043	12587	13838	14032	14256	14712	4.5	9.9	1.4	1.6	3.2

Based on Dept. of Commerce, Bureau of Labor Statistics and industry data.
Source: *National Home Center News;* Mount Econonic Consulting. May 1989 data.
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Constant = 1982 $ * Index: 1982 = 100

RETAIL CENSUS

Top chains pressure their suppliers to use bar coding

Bar coding is becoming the latest bone of contention between dealers and vendors.

Some of the industry's largest chains—including The Home Depot and Builders Square—are now demanding that their suppliers put bar codes on merchandise by the end of 1989. Hardware co-op Ace Hardware also expects to be up and running with bar coding by 1990, and has asked suppliers to comply.

That bar coding is the future is reflected in numbers Grossman's uses to justify pressuring vendors: it gets 60 percent of its sales from the 70 percent of the merchandise it presently has bar coded.

One sticking point, however, is that much of what the average home center sells does not lend itself to bar coding, especially items such as bulk nails or fasteners. Proponents say the technology exists for bar coding *anything*, and they cite the ability to mark bees for beekeepers.

Some vendors have gone the route of bar coding polybags for bulk items, but there is still some resistance.

Bar coding of commodities presents another problem, and industry representatives from both retailers and manufacturers are working on the problem. But Ward Hitchings of the National Forest Products Association (NFPA), the trade group that oversees the committee on Universal Product Coding, said that only 10 percent of commodities are bar coded currently.

The NFPA will release a report in June on recommendations for codes for individual items, methods of labeling (*i.e.*, adhesive paper, ink jet, etc.) and where to place the labels. Another committee will recommend ways to implement commodities UPC to facilitate electronic data interchange (EDI).

Dave Brewster of Georgia-Pacific, who sits on the NFPA committee, said in a news release, "Home centers have mandated to suppliers that by March 1990, UPCs will be in place for scanning. We manufacturers aren't taking that mandate lightly."

No common language

One problem with implementing bar coding, however, is standardization. With four different UPC "languages" in common usage, and different markings for individual items and for shipping containers, the world of UPC often resembles the Tower of Babel.

There exists the Voluntary Inter-industry Communications Standards (VICS) committee, a trade group made up of manufacturers and retailers that works to standardize UPC languages, but it is geared mainly towards general retailing, especially for apparel merchandising.

To date, Stanley Tool is the only company in the industry that sits on the committee.

But Stanley is committed to UPC, according to Bob Blossey, special projects manager for Stanley Tool. The company has even resorted to hand labeling certain promotional bulk items such as screw drivers and hammers.

"We did it in a more costly manner than we would have liked," Blossey said, "but we're working on new technology to make it more cost efficient."

One economic goad to implementing UPC, aside from inventory tracking and price lookup, is the growing sophistication of EDI, the linking of dealers, vendors, and even manufacturers in a communication network.

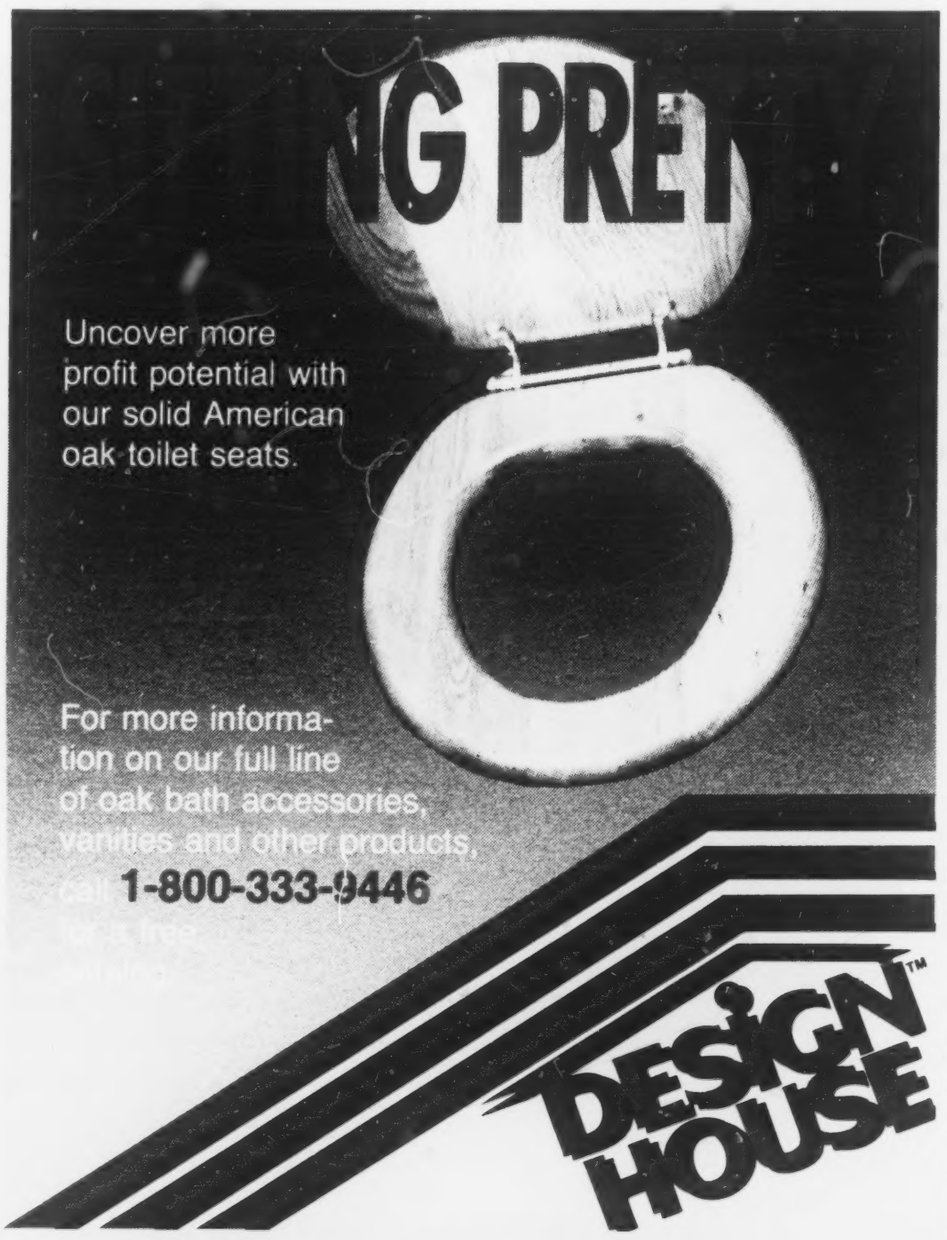
A universal code language could facilitate EDI by tracking merchandise from the warehouse through the point of sale to facilitate just-in-time delivery, automatic replenishment and billing.

Potential problems

This so-called Quick Response technology would require close cooperation between dealers and vendors, however, and would include the sharing of information that some might not want to share, such as sales forecasts and marketing strategies.

And as with everything, there's a potential downside to all this new technology, as some British home center chains found out the hard way.

Texas Homecare, Wickes plc and B&Q were fined by government authorities for having changed the price on items in the computer—which the UPC label looked up—without having changed the price markings on the shelf.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RETAIL CENSUS

Lawn and garden departments suffered as last year's drought dried up the Midwest, but home building remains intact.
Acts of nature, takeovers and competition among chains beset the western Midwest.
Major chains invade the Northeast, as economy turns sluggish.
Modest 1988 sales growth doesn't deter dealers' optimism.
Diversity and volatility mark the South's home improvement business.

REGIONAL REPORT

Home centers grapple with diversity in the SE region

By Tim O'Malley

REGIONAL REPORT — Last year's home center activity in the South and Southeast region provided a microcosm of the volatility this industry went through in 1988, and in many ways set in motion some of the dynamics that will affect

Southeast

the entire industry this year.

The year saw natural and economic disasters in Texas, growing prosperity in Georgia, transportation improvements in Florida, and more competitors entering unlikely markets such as New Mexico and Arkansas.

Through it all, home centers scrambled to survive, by pulling out of slow areas and expanding in lucrative ones, trying new merchandising concepts and making personnel changes.

Scotty's, Florida's biggest chain, weathered perhaps its most difficult year to date. Scotty's founder, Jim Sweet, sold the company's stock holdings to Belgian-based GB-Inno-BM, which only last month made a tender offer to buy all of Scotty's and take it private.

Much of the chain's executive staff departed and was replaced by new leadership. The Winter Haven, Fla.-based chain also closed down its two Factory Outlet Warehouse stores in the Sunshine State, saying they failed to jibe with the company's retailing philosophy.

In truth, Scotty's problems were caused by competition from Builders Square and Home Depot in Florida. The latter set a standard for the industry in January 1988 when it announced it would implement an "everyday low pricing" policy chainwide by the end of the year.

The 133-unit Builders Square, based in San Antonio, Texas, started the year aggressively as well. In February, it revealed plans for a sporting goods chain modeled on the warehouse concept. By December, it had named a new president and ceo, Glen R. Mielke, a 25-year veteran of K mart, Builders Square's parent company.

Lowe's, buoyed by the success of its 60,000-square-foot store in North Knoxville, Tenn., said it would increase the size of 20 other stores because it believes larger stores increase profits. That prototype has recently been refined to bring products stored in an adjacent warehouse area onto the showroom floor. A 40,000-square-foot unit in Boone, N.C., opened last month, showcases this change.

Texas takes its toll

The Texas market continues to sag, and its condition affected negatively on home center operators.

The 22-unit Lone Star Hardware division of Westlake Hardware, based in San Antonio, had to trim its upper-management staff to 55 from 83 after suffering losses. In addition, scores of independents were forced either to close or significantly curtail their services.

Some tried to escape the crisis by expanding elsewhere. McCoy's Building Supply Centers, based in San Marcos, Texas, opened outlets in New Mexico. The company ventured outside of Texas for the first time in 1987, with a store in Arkansas.

The Arkansas market was also courted by National Home Center. In February

(Continued on page 27)

Gas prices, economy slow expansion in Western U.S.

By Brad Altman

REGIONAL REPORT — For some multiunit DIY dealers operating stores in the Western U.S., 1988 was a cautious year in which expansion

West

was on a modest scale compared with previous years.

PACIFIC NORTHWEST

Seattle-based Boeing, one of Washington's major employers, reports a waiting list for new commercial aircraft and that situation has contributed to a strengthening of the local economy. Underscoring this rebound, Ernst Home & Nursery reopened two stores in the suburbs of Tacoma which had been shuttered two years earlier. Other market developments:

Pay 'N Pak, the 100-unit chain based in Kent, Wash., is moving into its second year as a private company, and has focused its expansion strategy on opening new stores in existing markets. The company is currently in the process of remodeling many of its stores, showcasing a new in-store look that emphasizes home decor items.

Ernst, meanwhile, remodeled its 43 stores in western Washington and Nevada in early 1988 and finished the $10 million chainwide revamp project in September when it completed the remaining 27 units in eastern Washington, Utah, Montana, Idaho and Wyoming. Big-ticket projects such as kitchen cabinets are highlighted in the remodeled stores.

The Portland, Ore.-based Fred Meyer chain, which pioneered the one-stop shopping concept, consolidated its Home and Garden Centers and general merchandise division into a hardlines division last year. Reflecting the chain's emphasis on DIY retailing, Fred Meyer's new ceo, Frederick M. Stevens, joined the chain in April 1988 from K mart, where he was in charge of specialty retailing including the Builders Square operation.

On the wholesaling front, Palmer G. Lewis, the Auburn, Wash.-based commodities distributor, agreed a year ago this month to a $39.1 million buyout by St. Louis-based Huttig Sash & Door, a subsidiary of Crane Co.

MOUNTAIN STATES

Hard hit by persistently weak oil and gas prices, this region—Arizona, Colorado, Montana, New Mexico, Nevada, Utah and Wyoming—is growing more slowly than the national economy and some forecasters expect home building to fall by the end of this year to its lowest level since 1975, according to The Conference Board.

The Mountain states have pockets of growth. In Salt Lake City, for example, a shuttered Ernst store was reopened last year and Home-Club plans to build two outlets in Utah this year. Other regional developments:

Anderson Lumber, the 22-unit contractor-oriented chain headquartered in Ogden, Utah, began looking for expansion possibilities in Nevada.-CoastAmerica Corp., the Denver-based franchise wholesaler, agreed to merge with American Hoist & Derrick, the St. Paul, Minn.-based company which had already owned wholesaler Farwell Ozmun Kirk & Co. Amhoist changed its name to Amdura, and moved to Denver.

CALIFORNIA

The outlook for California is dampened by the threat of a

(Continued on page 27)

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RETAIL CENSUS

Home centers grapple with diversity in the SE region

(Continued from page 18)

the Springdale, Arizona-based chain acquired two Handy Dan outlets there from the latter's owner, Channel Home Centers.

Meanwhile, one earlier victim of the Texas recession—Diamond Lumber—was bailed out of Chapter 11 in April, when a federal judge approved a reorganization plan under which the Dallas-based company signed a three-year, $70 billion credit agreement. Since then, Diamond has been concentrating almost exclusively on catering to contractors, a formula that appears to be working.

As if economic assault weren't enough, Texas suffered nature's wrath when Hurricane Gilbert swooped down on the town of McKinney. Foxworth-Galbraith's 60,000-square-foot warehouse there was destroyed, and damages were estimated at $3 million to $4 million.

Unlike Texas, the Southeast enjoyed growth and prosperity. Atlanta continued to attract major corporations, spurring housing construction and lumber sales.

Atlanta-based Georgia-Pacific announced it would establish 12 nationwide distribution centers specifically dedicated to millwork and specialty products.

West Building Materials, also in Atlanta, came off its best year ever with plans to expand the 67-unit chain. But in October, curiously, the business was put up for sale, although recent reports from sources familiar with West said the chain has subsequently been taken off the block.

Similarly, the retail lumber division of Williams Brothers Lumber Co. was put on the for-sale block by its parent, Blue Circle Holdings, whose primary interest is in concrete.

Further south, retailers in Florida were brimming at the completion of gaps in Interstate 95. With a continuous north-south line between northeast Maine and Miami finally in place, many said, improved distribution and more business would surely result.

> Home Depot set a standard for the industry in January when it announced it would implement an 'everyday low pricing' policy.

Possibly for that reason, the nation's largest hardware wholesale co-op, Cotter & Co., opened its 15th distribution center, in Ocala, Fla. in November. Cotter said the 365,000-square-foot warehouse would service 315 retailers in the South.

But business in the Sunshine State was not always profitable, as evinced by the liquidation of a much-touted lawn and garden chain, Yard King. Based in Margate, the company blamed its woes on tough Florida zoning laws and the previous year's stock market crash.

Gas prices, economy slow expansion in Western U.S.

(Continued from page 18)

national economic recession, according to the UCLA Business Forecasting Project. The California economy currently lacks any special source of stimulus, other than its surging housing sector.

Wickes Cos.' Sanford C. Sigoloff, who pulled Wickes out of bankruptcy in 1985, ended his six-year tenure as Wickes chairman in December 1988 when two New York investment companies acquired Wickes in a deal valued at approximately $538.9 million.

The companies involved, Blackstone Capital Partners L.P. and Wasserstein, Perella Partners L.P., made their bid only a couple of days after Sigoloff and fellow Wickes executives withdrew a higher value buyout offer. The investor group subsequently put Wickes' Builders Emporium chain on the block and has sold its Orchard Supply Hardware operation to its management.

HomeClub, based in Fullerton, Calif., continued its strong growth pattern throughout the West. Its parent, Zayre Corp. restructured the warehouse chain in December 1988 and announced it was spinning off HomeClub and BJ's Wholesale Club, a general merchandise warehouse chain.

> The outlook for California is dampened by the threat of a national economic recession, according to the UCLA Business Forecasting Project.

National Lumber, the Fountain Valley, Calif.-based retailer, is facing troubled times, losing $4.6 million in the fiscal year ended Jan. 31, 1989. National did open its 20th unit in the San Diego County city of Mira Mesa, in March 1988.

Neiman-Reed's Lumber City, a 12-unit retailer, converted two former supermarkets into 30,000-square-foot stores in Los Angeles' San Fernando Valley.

And Dixieline Lumber, the 10-unit San Diego-based retailer, opened a 52,000-square-foot home center in Vista, Calif., in June 1988. The store was the fifth to open in a 12-month period.

The two-unit Paint Plus specialty store concept folded in mid-1988, less than a year after it was launched by a group of home center industry veterans.

And contractor-oriented Builders Discount emerged as a Southern California retailer to watch in this year when it opened a new 100,000-square-foot store in November in Simi Valley, Calif.

Not all the action in California was reserved to retailers, though. Sequoia Supply, the building materials distributor based in Irvine, Calif., signed a letter of intent to merge with the Grip-Rite Group, a White Plains, N.Y., wholesaler. The deal is expected to be completed this month.

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RETAIL CENSUS

Home centers flood NE, though economy is slowing

By Elizabeth Brent

REGIONAL REPORT — The Northeast and New England emerged as what some saw as the final frontier for home center expansion in 1988, as several large home center chains began pouring into the market.

Northeast

But, ironically, just as Builders Square, Home Depot and Hechinger marched north, the regional economy started slowing and housing starts declined.

Independent lumberyards in the region turned towards retail sales to compensate for this housing slump, though these new competitors with larger stores and unbeatable prices pose an equally onerous threat to their businesses. When Builders Square opened in Pelham, N.H., for example, it was selling joint compound below the cost to local independents.

Consequently, independents are responding by targeting remodelers and opening specialty millwork and kitchen showrooms to lure professionals and consumers alike. Some are consolidating their positions with extensions and new facilities, while others are just trimming operations to pay more attention to the bottom line.

The slowing economy has hardly deterred Hechinger, the Landover, Md.-based home center chain,which will enter Boston for the first time with four stores in 1990.

However, finding suitable real estate continues to be a problem for everyone looking to expand. Somerville Lumber's growth has slowed in part due to the "tremendous difficulty" in finding 12-acre parcels, according to chairman Harold Cohen.

Hechinger further postponed its Huntington, N.Y., opening, claiming it was having trouble finding other sites in the area. Home Depot is currently renovating three former Modell's sporting goods stores on Long Island, but many of the prime retail sites have already been taken by Pergament and other specialty retailers.

Nevertheless, the competition intensifies in this market. Mr. Goodbuys opened two stores on Long Island in 1988, joining Rickel, Channel and Pergament as well as a host of independents including General Building Products, which specializes in kitchen and millwork showrooms.

Rickel, which cracked a $500 million sales plateau last year, ventured into Bronx, N.Y., for the first time. Pergament, too, is seeking inner city sites as it fills in its market with smaller stores.

Shakeout erupts

Warning signs that the market is overstored flashed early last year in Providence, R.I., when Channel shuttered its two units there, signaling the imminent shakeout.

Indeed, in 1988 the Whippany, N.J.-based company and Grossman's, based in Braintree, Mass., were put on the sales block. The ailing Lloyd Home & Building Centers, which has had consistent losses for the last four years, spent most of last year up for sale only to be reclaimed by its parent American Maize because of inadequate bids.

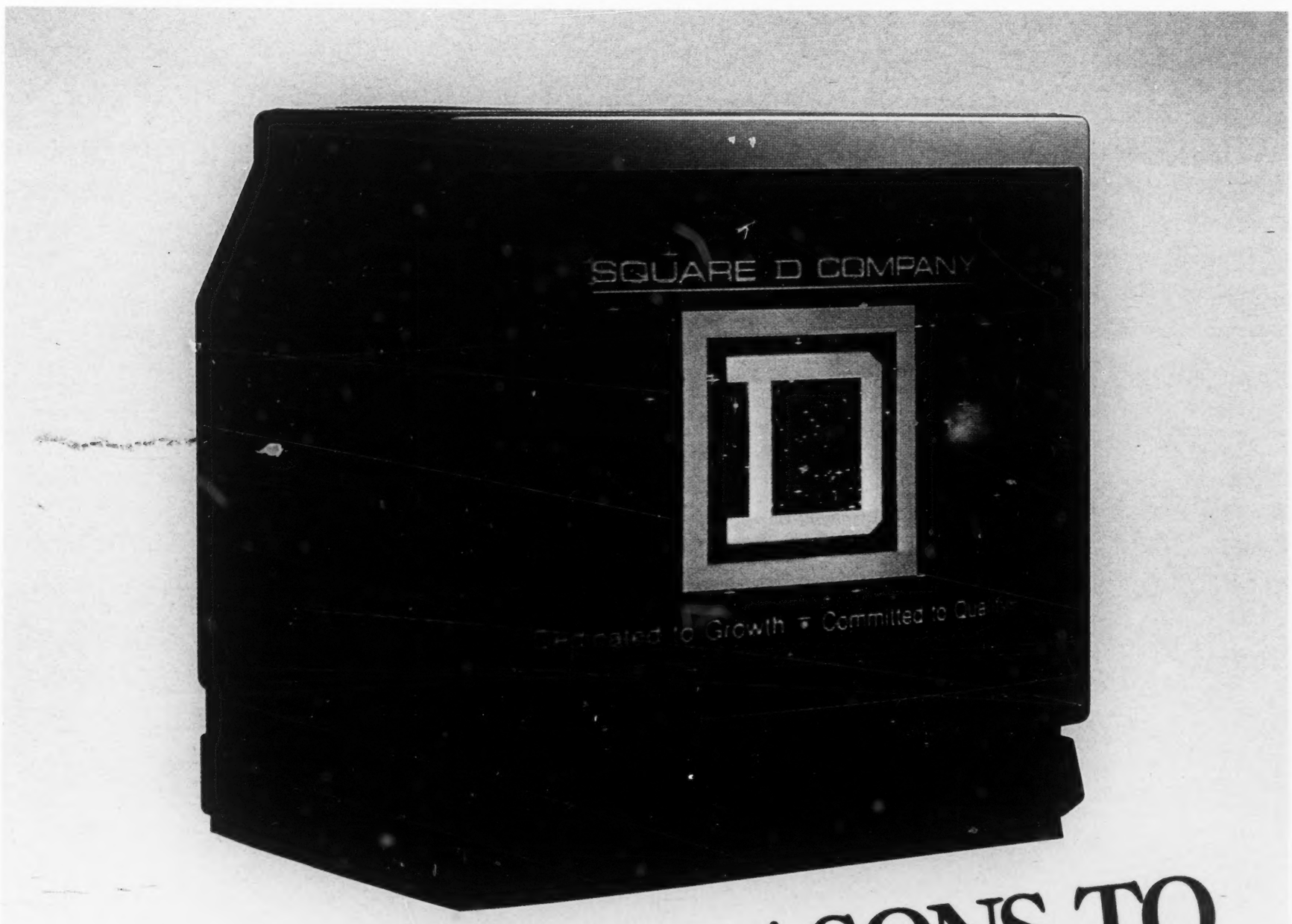
Not all the news was store closings and For Sale signs, though. Continental Lumber in West Haven, Conn., increased its sales by 24 percent to $36 million last year and Haddonfield Lumber in Haddonfield, N.J, had a 9 percent gain to $60 million.

But in New Hampshire, Maine and on Cape Cod, the picture is less rosy. Housing has almost halted there, and retailers are reporting losses or flat sales.

Some independents continue to pioneer new markets to bolster flagging sales. Gerrity Building Centers, based in Newton Falls, Mass., opened its first builder-oriented yard in Vermont this past September in Hinesburg. Between this operation and its Woodsville, N.H., site, Gerrity intends to service the entire state.

NHD Stores may well expand outside its Massachusetts market area into Vermont and Maine this year once it completes its 135,000-square-foot distribution center in Franklin, Mass.

Other independents are constructing new showrooms and facilities and realigning their businesses. Douglas Lumber in Smithfield, R.I., expanded from a traditional commodities lumberyard with a freestanding kitchen specialty unit into a full line home center when it opened a 50,000 square foot unit this spring.



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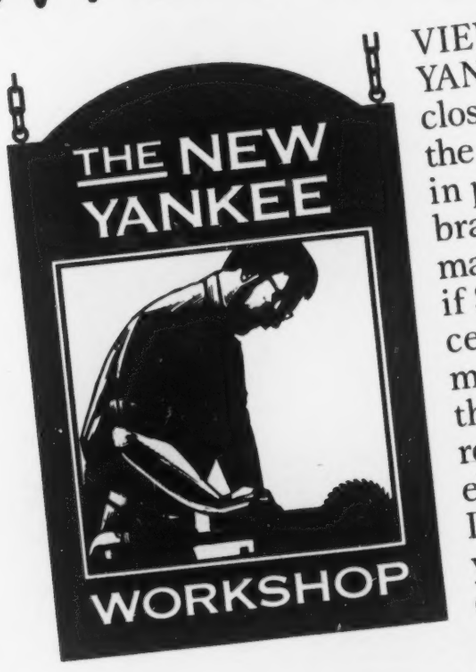

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RETAIL CENSUS

Concern for future follows a modest year for retailers

By Tom Bagsarian

REGIONAL REPORT — It is difficult to get home improvement retailers excited about what occurred in the Midwest in 1988.

While business did not go through the roof, it didn't fall by the wayside in Ohio, Indiana, Kentucky, Michigan, Illinois and Wisconsin, either.

Eastern Midwest

Although lawn and garden departments in all of these states suffered due to last year's drought, the building side of the business remained intact, but there is concern for what may lie ahead.

Bryan Carter, president of the 146-unit Carter-Jones Lumber Company based in Kent, Ohio, said business in 1988 was "mediocre, nothing earthshaking." But Carter also added, "I expect if interest rates go up, we'll see a small decrease in '89."

Stambaugh-Thompson, the retail chain based in Youngstown, Ohio, made its first foray into the specialty store business with its purchase of Decorator Depot in nearby Niles, Ohio, early this year.

Stambaugh will raise its store count to 22 this year with the opening of two new stores, one in Heath, Ohio, a city of about 7,500 people east of Columbus, and another in an Ohio location yet to be decided, said Stambaugh president Phil Thompson.

Louisville, by far Kentucky's largest market, saw little in the way of new players last year. Perhaps chains realized "this isn't the best spot in the world to do business," said Steven Levy, merchandise manager at Levy Home Improvement Centers based here.

The same may be said about the Hoosier state. No new players joined the three dominant chains in Indianapolis last year, Wickes Lumber, Lowe's and 84 Lumber. "Indiana did pretty well," said Ed Butz, chairman of the single-unit Butz Lumber in Indianapolis.

In Illinois, the big news was how much business Builders Square, with more than a dozen units in the Chicago area, was taking out of the market, and what was the potential of Handy Andy Home Improvement.

In August, Steven Kadish became president of Schaumburg, Ill.-based Handy Andy. Ron Rashkow relinquished the president's title but remains chairman and ceo. Also last year, Rashkow was named to the board of directors of Scotty's, the Winter Haven, Fla.-based chain which underwent a restructuring at the time.

Handy Andy sent shock waves through the Midwest just this month with its agreement to purchase the 38-unit Central Hardware, based in St. Louis. This allows Handy Andy to enter new markets, such as Columbus, Cincinnati and Indianapolis, and gives Central money, which was not available with its former parent company Interco, to expand.

Also in the Chicago area, Courtesy, the operator of six home centers, experimented with Courtesy Express, a van which delivers merchandise to customers. Lee Lumber opened its second Chicago location in 1988. It filled a void on the city's north side left by four different retailers which have closed within a one-mile radius.

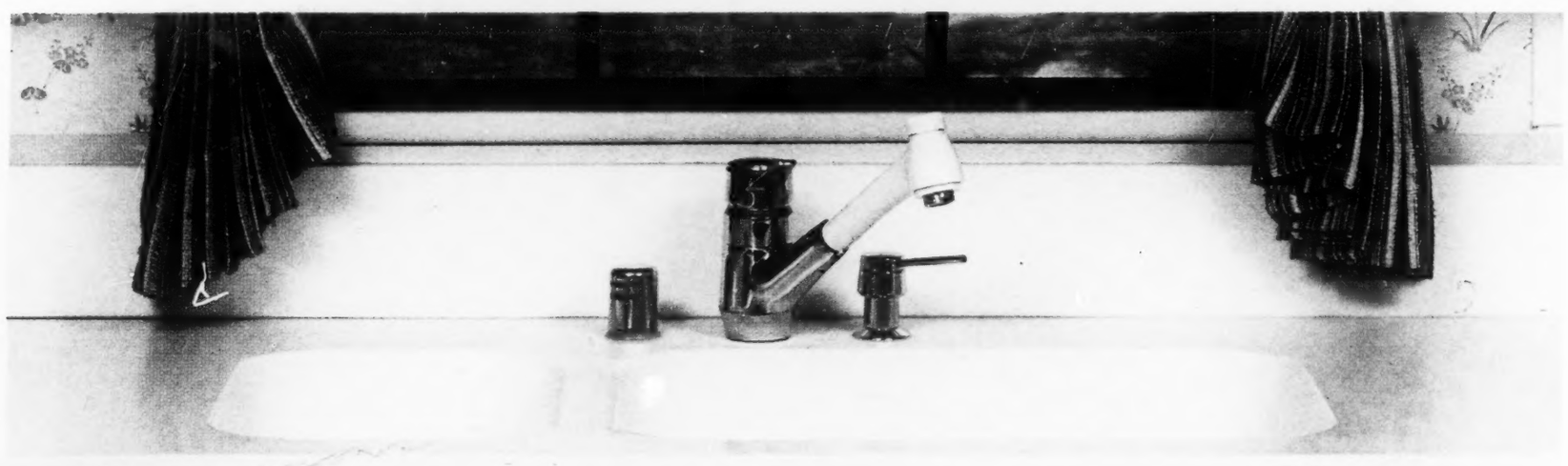
And a company called Sears decided in 1988 to sell its headquarters, the world's tallest building, and this year introduced everyday low pricing in its stores. The retailing giant is also slowly getting involved with brand merchandise.

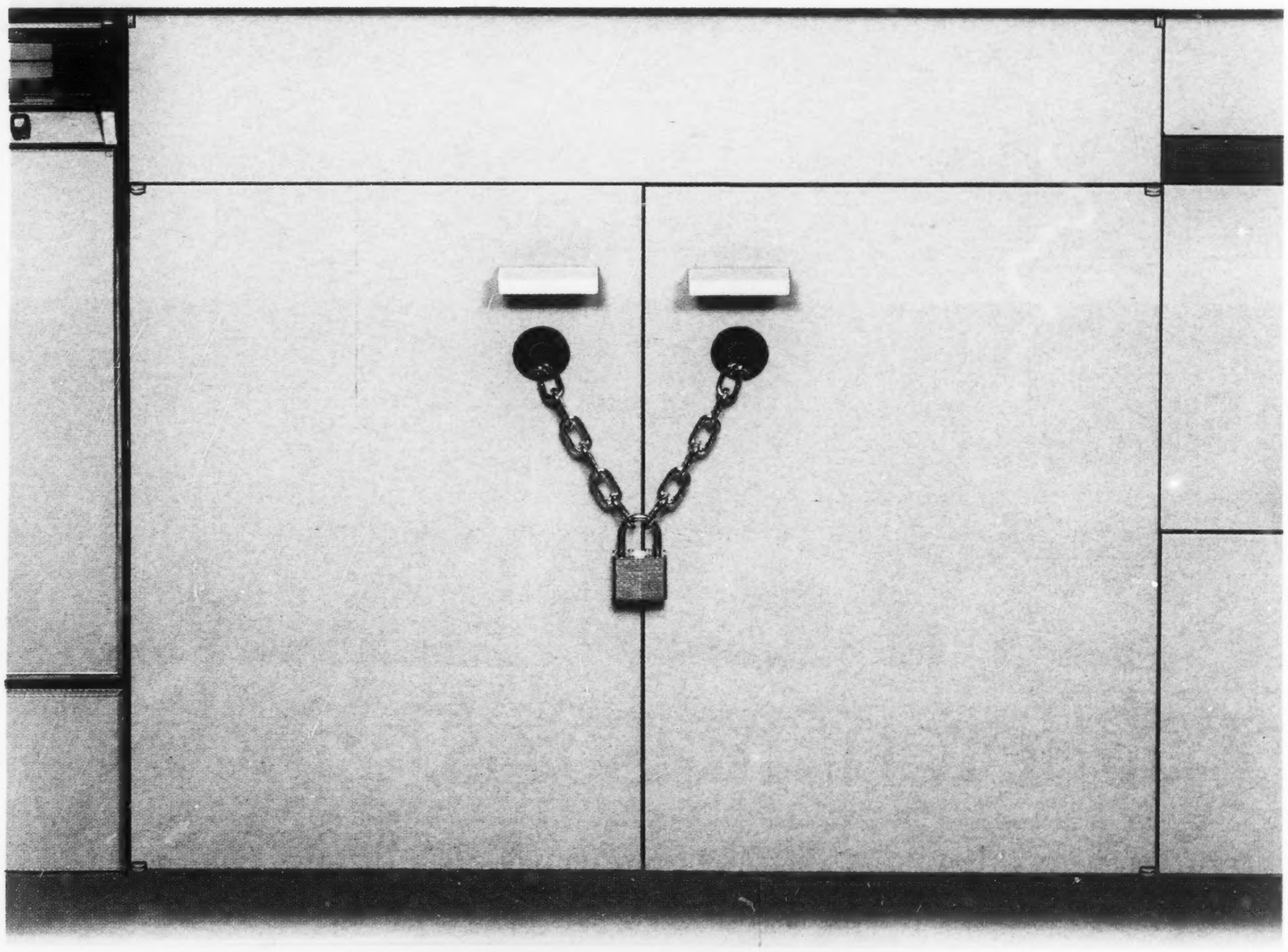
Business was brisk in western Michigan, from Lansing on west and from north to south, thanks mainly to new industrial growth, which boosted new home sales and remodeling business. Birmingham, Mich.-based Erb Lumber bought the Detroit-based Braver Brothers' Pine Lumber Cashways Stores. In addition, Wolohan Lumber, based in Saginaw, Mich., bought three-unit Cashway Lumber, based in Muskegon, Mich.

There was no major change in players in the Wisconsin market. Kelly's Sawmill, a low-cost, three-unit chain in Milwaukee, closed two of its stores, but stubbornly held onto one.

Bob Huntemann, who sold his chain to Grossman's several years ago and then formed Kelley's, died early this year after a long illness. An avid boater, Huntemann took vacations around the world and said all he ever did was tour hardware stores and home centers.

COMING SOON...





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RETAIL CENSUS

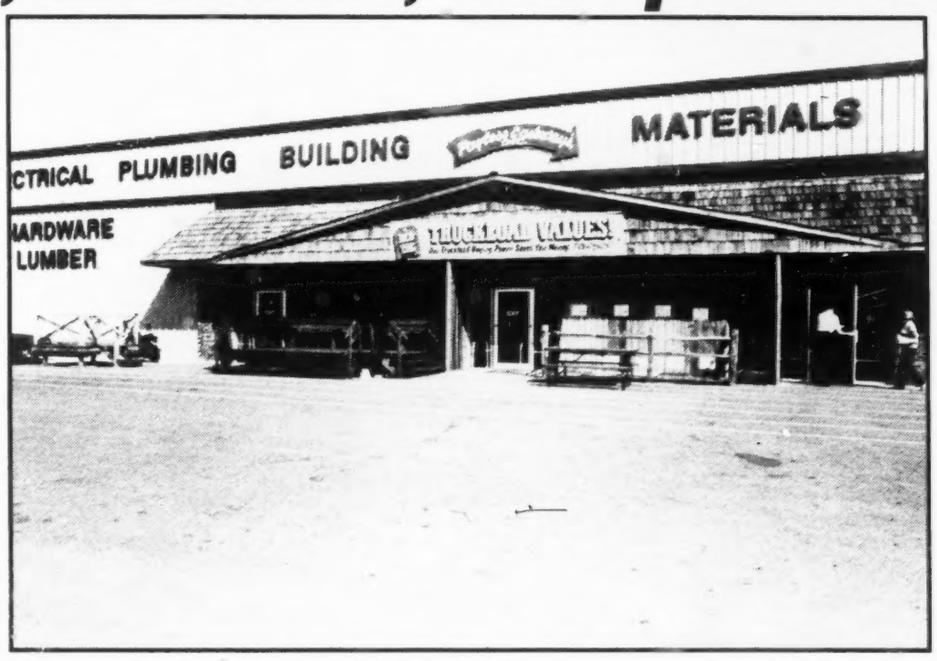
Takeovers, weather, competition plague the Midwest

By Gary S. Ruderman

REGIONAL REPORT— Parts of the southern and western Midwest were visited by "plagues" that other segments of the home improvement industry can probably expect to endure over time.

A mild "earthquake" rumbled through western Missouri starting last April as tremors of a hostile takeover shook the foundation of Payless Cashways.

Corporate raider Asher Edelman and Dwight Sutherland, a co-owner of nearby Sutherland Lumber, were ultimately thwarted in their bid (and profited nicely for their efforts), as the 195-unit Payless, based in Kansas City, was taken private by its management in October to the tune of more than $900 million, and the assumption of $1.2 billion in debt.



The 195-unit Payless Cashways based in Kansas City, Mo., was taken private by its management in October to the tune of more than $900 million. NHCN photo

Western Midwest

Similar rumblings were felt at Westlake Hardware, Lenexa, Kan. After swallowing the 22-unit Lindsley chain in Florida through its Lone Star Hardware division the year before, Westlake discovered belatedly that this company's product mix, inventory and management might have been too rich for its blood. All three were scaled back.

On the eastern side of Missouri, Eclipse Industries, the operator of six B&B Home Centers, was having more severe problems. Promised capital from a Texas investor never materialized and, closing one unit at a time, Eclipse slowly faded into Chapter 11 bankruptcy.

In Kansas, while retailers report sales were up 5 to 6 percent, 1988 wasn't a banner year. Pay 'N Pak, the Kent, Wash.-based operator, closed two of its four units in Kansas as sales slowed. Whelan's, a local independent, left the Leavenworth, Kan., market, again because sales weren't supporting the operations.

Whelan's needed to "put our bucks elsewhere" explained vp Don Lewien.

Up north, in Minnesota, it was a quiet year with sales slowed by a combination of a stagnant service economy, competition and the weather, which affects Minnesota's agricultural belt. But that didn't stop the buying and selling of home centers.

After fighting with disparate relatives and stockholders for several years, Jack Lampert, chairman of the 44-unit Lampert Lumber in St. Paul, sold out to a team of Denver investors. NHCN photo

> "It looks like the drought pattern is broken. There is a lot of pent up demand. There weren't a lot of houses built last year."
>
> —**Dan Messmer,** *advertising manager, Robertson Companies*

After fighting with disparate relatives and stockholders for a number of years, Jack Lampert, chairman of the 44-unit Lampert Lumber in St. Paul, sold out to a team of Denver investors, Josh Hulce, a former president of the Manville Corp., and F. Joseph Hayes, president of the May D&F department stores. Longtime president George Poulos stayed at Lampert until last month.

Sales dry up from drought

Throughout the Midwest, healthy and struggling dealers alike contended with a drought that dried up and blew away lawn and garden sales last summer. Add that to the still-depressed energy economies in Kansas and Oklahoma and it was an "extremely tough year in Oklahoma, the fourth such bad one," according to Bill Payne of the 31-store T.H. Rogers chain based in Oklahoma City. To stay alive in a continuing down market (although T.H. Rogers continues to make money), the chain had to pare employees from 210 to 185.

The scorching heat kept a lid on roofing sales in the Plains States. Sales of building materials overall were down some 12 percent in the north central and eastern plains regions.

Nevertheless, there were some "silver" linings in the lack of rain. Because there was little precipitation, farmers in the Dakotas received significant government subsidies. That translated into a late summer bonanza of buying for machinery buildings, according to Dan Messmer, advertising manager for the Robertson Companies, a 22-unit chain based in Grand Forks, N.D.

With a wet spring and some amounts of snow this past winter, "It looks like the drought pattern is broken," said Messmer. "There is a lot of pent up demand. There weren't a lot of houses built last year."

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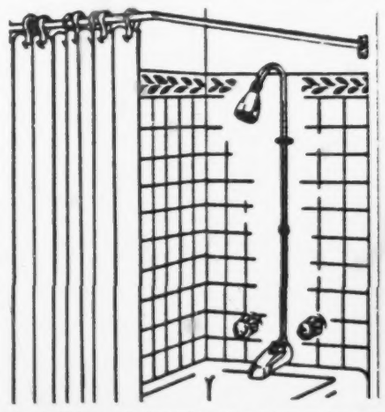

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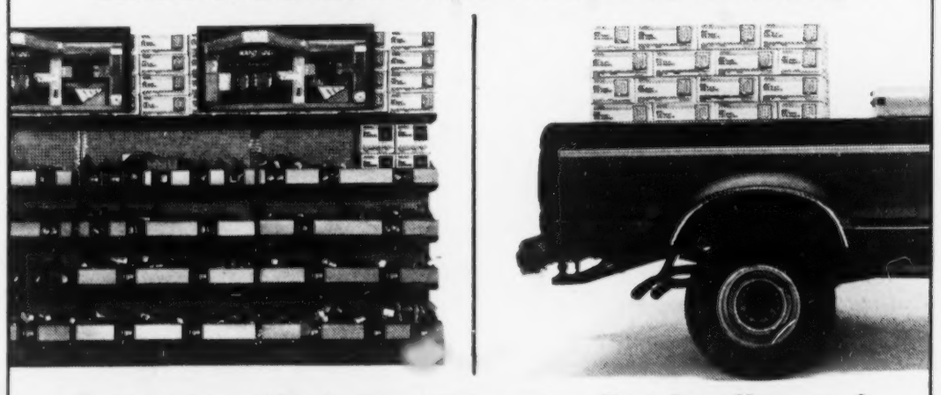
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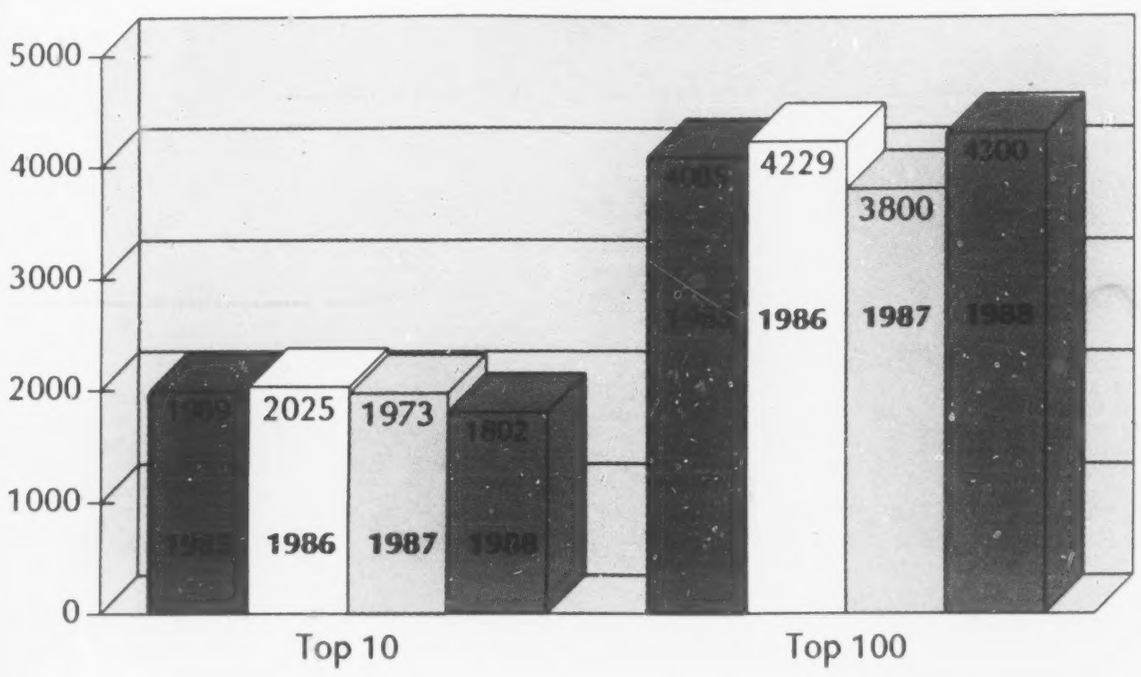
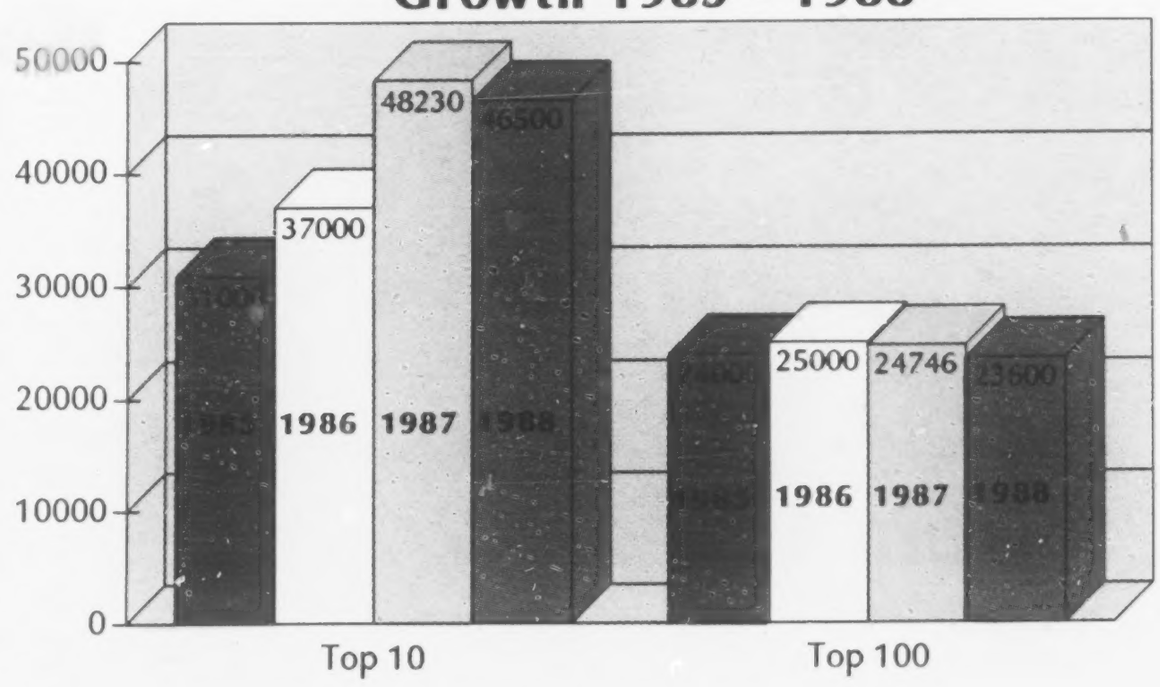
RETAIL CENSUS

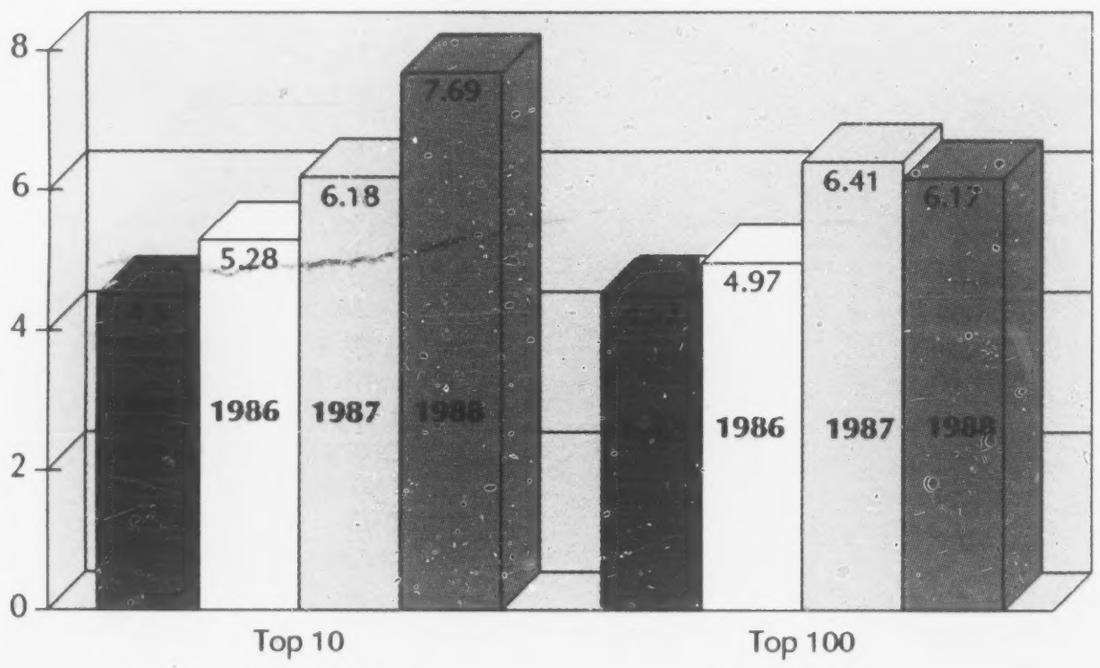
Store Unit Growth 1985 - 1988



Average Store Square Footage Growth 1985 - 1988



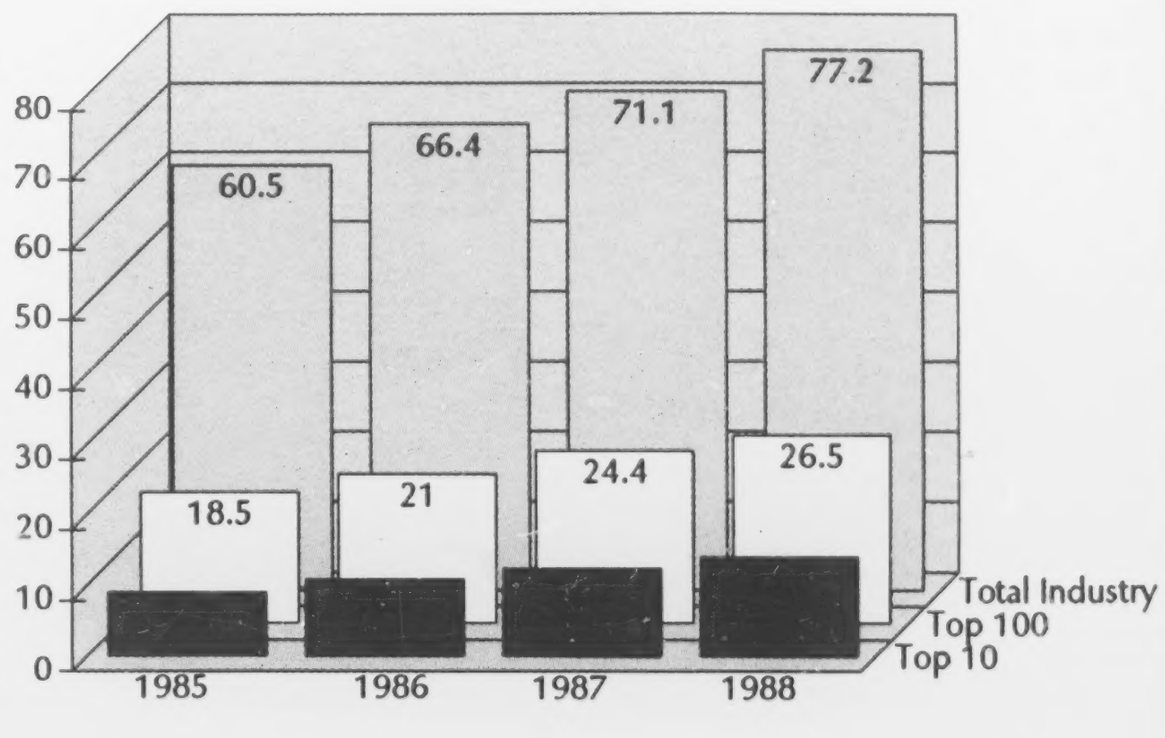
Sales Per Store From 1985 - 1988 In $ Millions



The charts tracking store unit and square foot growth over the past four years are a function of which companies happened to be among the top 10 and 100 retailers that particular year, and what was going on in the industry during that year. For example, in 1987 there was a dip in store count primarily because of the widespread store closings that occurred in that year by such companies as Wickes and Diamond Lumber.

In 1988, the top 10 store count is lower primarily because Channel, with 161 stores, dropped out of this segment. And the average store square footage declined slightly in 1988 essentially because of the number of contractor-oriented companies with smaller showrooms whose sales have moved them into these groupings.

Four Year Industry Growth In $ Billions



Larger stores, not more, is the key to increased sales in 1988

Dealers are getting more out of their stores than ever, as overall physical expansion has slowed to a crawl for most of the industry's home center operators.

And many retailers, particularly the largest companies, have done this by making their stores larger, which means there's been more shelf space for vendors, and more flexibility for dealers to experiment with a wider range of product assortments. In many ways, the accelerated growth in the industry has allowed its dealers to become more daring in their merchandise presentations by virtue of the enlarged facilities they're working with.

It is indisputable that dealers generally have found it more cost effective to increase their showroom space than to open new stores. This is borne out statistically in the accompanying charts, which show there has been virtually no store growth between 1985 and 1988. (The swings in store count are a function of which stores were among the top 10 and 100 in a given year.)

However, the "over-storing" of the home improvement industry has more to do with the size of the units dealers—especially those among the top 10 in sales—are operating now. Where a typical large home center chain ran a store that was 31,000 square feet four years ago, that same store is now 46,500 square feet, a 50 percent gain in showroom space.

The overall top 100 hasn't added square footage at nearly the pace of the top 10. But mid-sized chains have succeeded in squeezing more dollars out of their stores nonetheless. Volume per store for the top 100 companies has growth by 36.5 percent to $6.17 million per unit from 1985 to 1988. And the big chains, by virtue of their store size and increasing dominance over many markets, have seen their sales per store jump 70 percent to $7.69 million.

The addition of square footage is one of the main reasons why the top 10 companies' sales have been growing at a faster clip than the top 100 or the retail home improvement industry as a whole. And, as the chart above indicates, the leading 10 companies slowly but surely have been nibbling away at the industry's market, taking a larger slice of the pie each of the last four years.

Top Ten As A Percent of Industry Total ($ Billion)

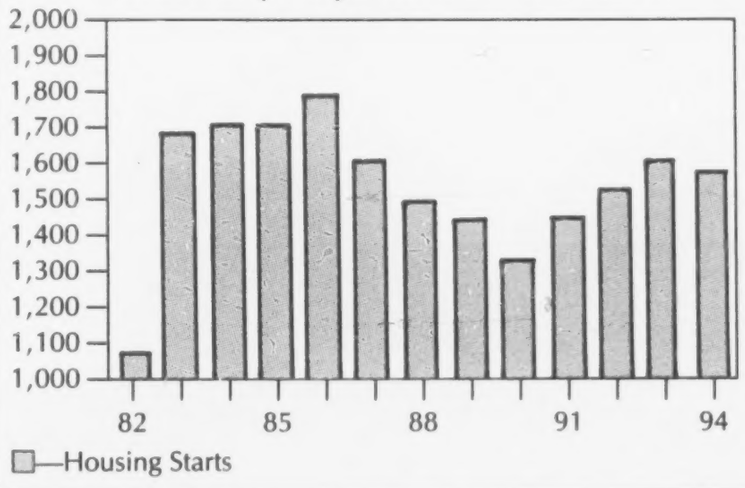
Year	Top 10	Total Industry	Percent
1986	10.7	66.4	16.1
1987	12.2	71.1	17.1
1988	13.8	77.2	17.3

RETAIL CENSUS

National and Regional

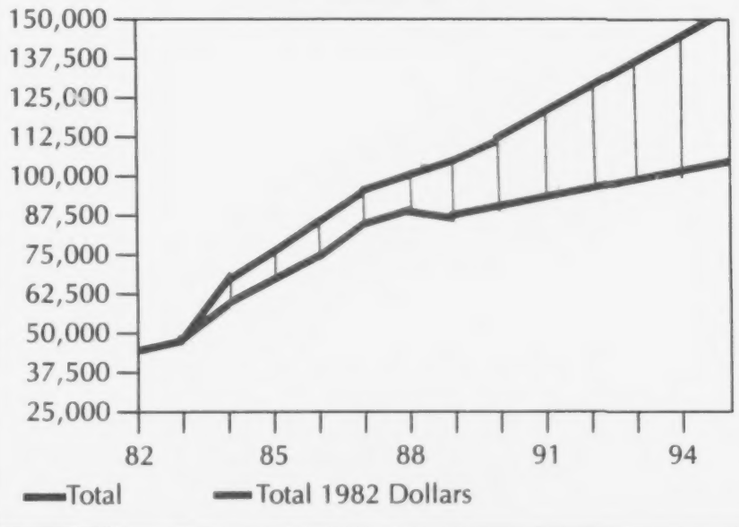
Weakening new housing starts . . .

Housing Starts
(000)
Seasonally Adjusted Annual Rate



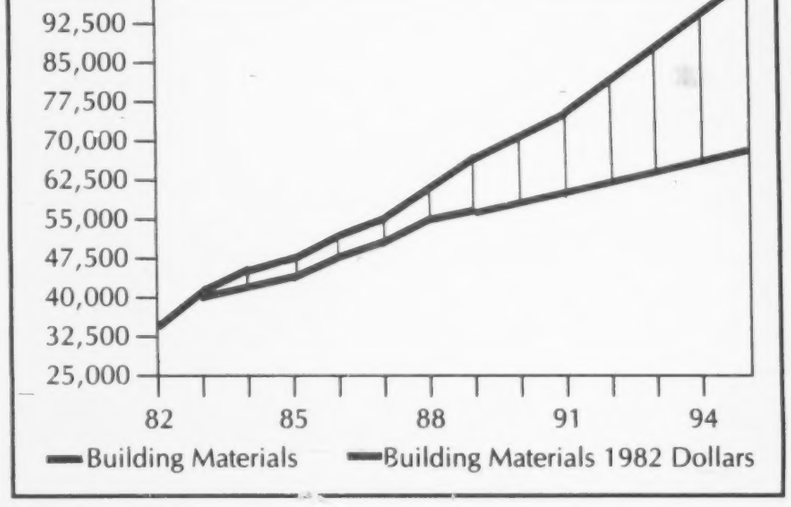
. . . will bolster alterations and repairs . . .

Alterations and Repairs
$ Millions



. . . and spur more moderate building material sales.

Building Material Sales
$ Millions



Building material sales to soften in '89, recover in '91

By Richard E. Mount
Special to NHCN

Economic growth and building material sales are slowing in early 1989 from their rapid paces of 1988, a softening that should continue through 1990. While the pace of business will be less, it is unlikely that a recession will develop. Recovery will begin in 1991 and 1992, followed by moderate growth in 1993-94.

Demographics will be the long-term concern for housing in the late 1990s, but with the recent shortfall in new home starts, pent up demand will keep housing strong in the first half of the decade.

Inflation is the current short-term economic concern, with rapid gains posted in the opening months of this year. These surges were concentrated in food and energy, two volatile sectors that had been weak in recent years. Removing these two sectors from the total, overall inflation was only slightly stronger than in 1988.

Slower Gross National Product (GNP) growth in the first quarter of 1989 resulted from a tightening in monetary policy begun last fall by the Federal Reserve. By increasing rates, housing and other interest rate sensitive markets contracted. But the slower growth anticipated through 1990 will lessen inflationary pressures in about nine months, allowing for a reduction in rates by the beginning of next year.

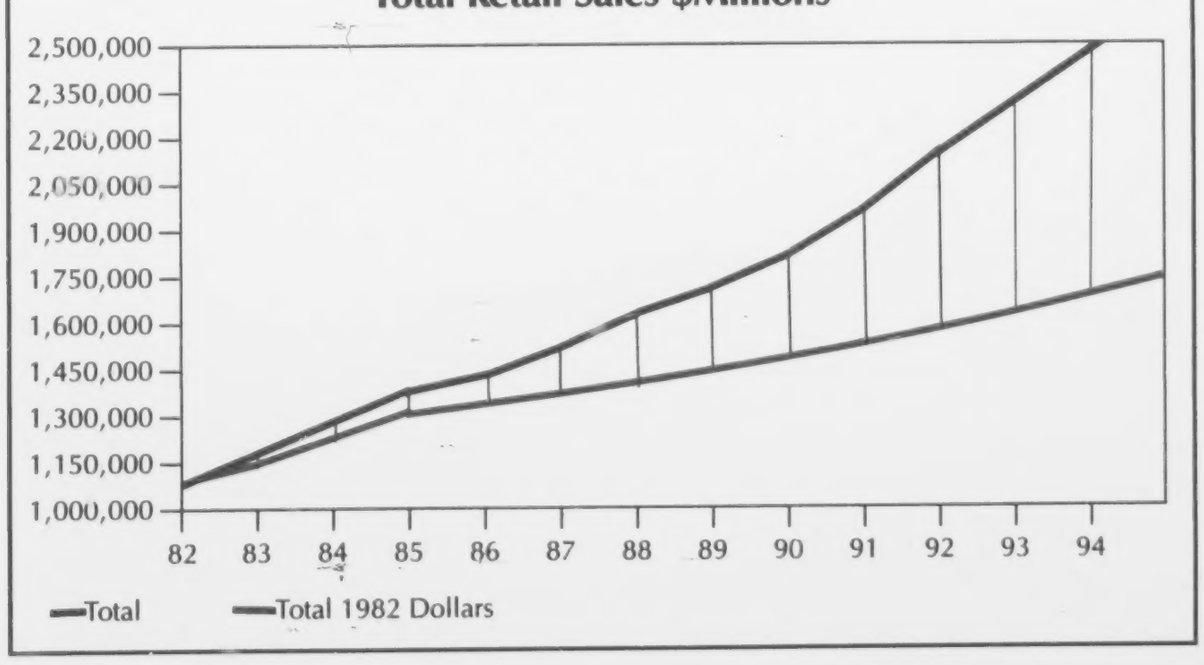
With housing contracting since late 1985, lower mortgage rates in 1990 will increase demand. Housing will be boosted in 1991 not only by lower rates but by a rebirth in the demand for multi units which have been pressured by high vacancy rates and past changes to the tax laws.

Resales, the best indicator for future building material sales, will not be as volatile as starts. Demand will shift to resales when starts weaken because of the gap in prices. When recovery begins, new housing demand should rise faster than resales.

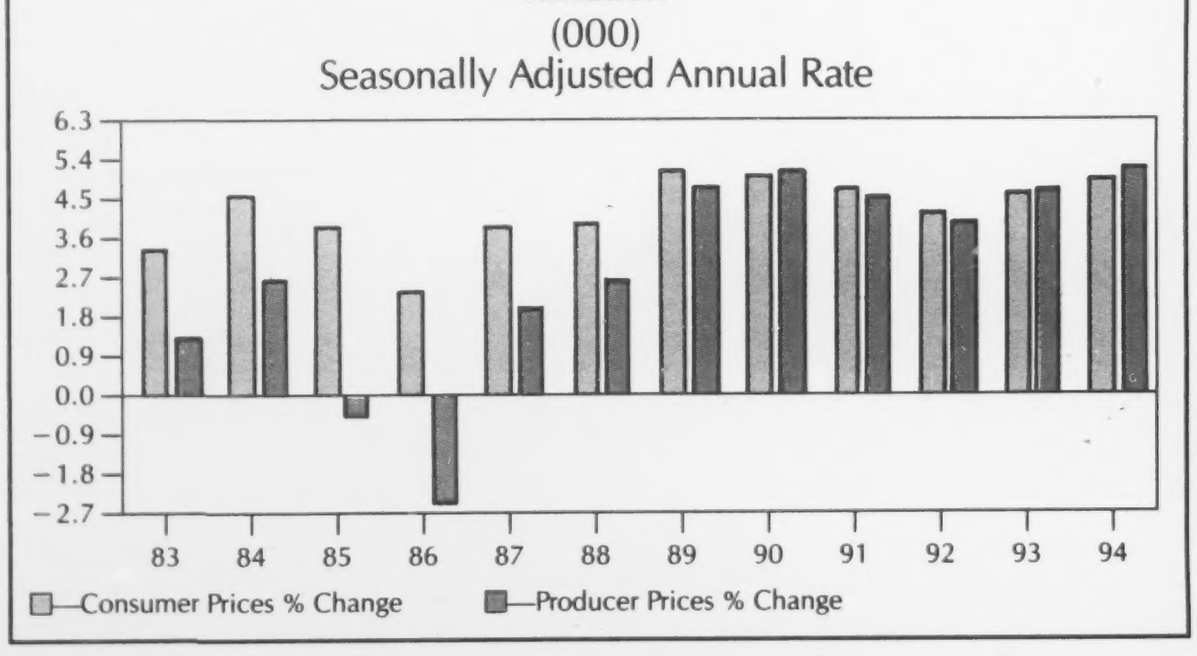
Home improvements and maintenance should remain strong throughout this period. The soft period of economic growth through 1990 will not be severe. Consumer incomes will not be pinched and interest rates little changed from today's levels, allowing for a continuation of spending. For 1990-92, maintenance should be strong relative to improvements. In 1992-93, spending should shift back to improvements of existing properties.

Building material retail sales will face a slower period of growth in 1989 and 1990, as demand shifts to improvements and maintenance, away from new construction. In the 1991-92 period, new construction will become the faster-growth market. While sales were up 9 percent in 1988, a slower average gain of 5.9 percent is anticipated for 1989-90, with an average rate of 7.4 percent during the 1991-92 recovery.

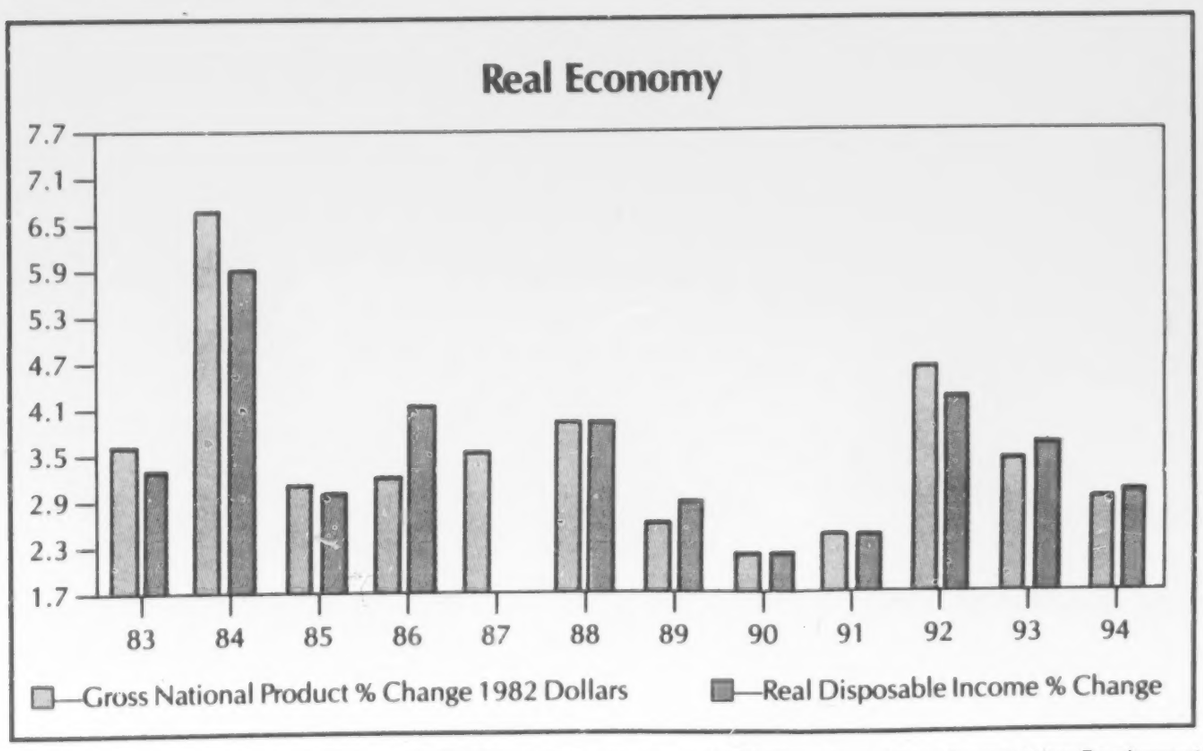
Total Retail Sales $Millions



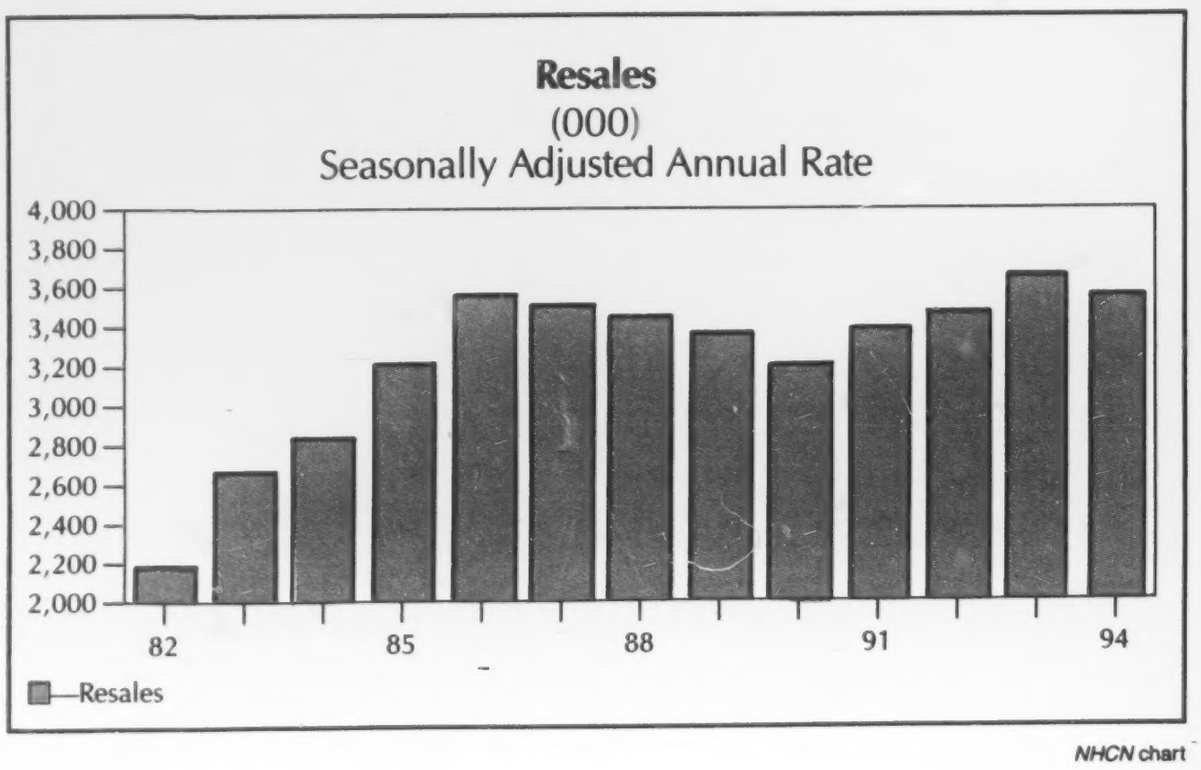
Inflation
(000)
Seasonally Adjusted Annual Rate



Real Economy



Resales
(000)
Seasonally Adjusted Annual Rate



Sources: Dept of Commerce; Bureau of Labor Statistics; National Association of Realtors; Dept. of Housing and Urban Development

NHCN chart

RETAIL CENSUS

Outlook: 1989-1994

Sales paces in certain regions expected to change

By Richard E. Mount
Special to NHCN

Over the next few years, sales of building materials are expected to fall and rise sharply, and advance moderately in the 1993-94 out years in line with the overall national economy.

However, demand by region will vary through 1994 depending upon the economic characteristics of each area.

Building material sales in the Northeast are expected to grow slightly slower than the national average during this period. The major problem for the region is high home prices, and the cost and availability of labor. This will restrict the population in-migration from other regions of the country, where labor is less tight and, at the same time, will encourage firms located in the Northeast to move some operations elsewhere.

Because of its edge in financial and business services, education and culture, it will remain a strong market for upper income households.

In the near term, areas with a concentration in capital goods and export industries, such as the East North Central and East South Central states, will be the strongest markets. As the economy slows over the next two years, these regions will decline later and somewhat more than the national average.

Agricultural states, especially in the West North Central region, are currently staging a comeback that should persist through 1991, as lower interest rates reduce the value of the dollar, thereby increasing exports.

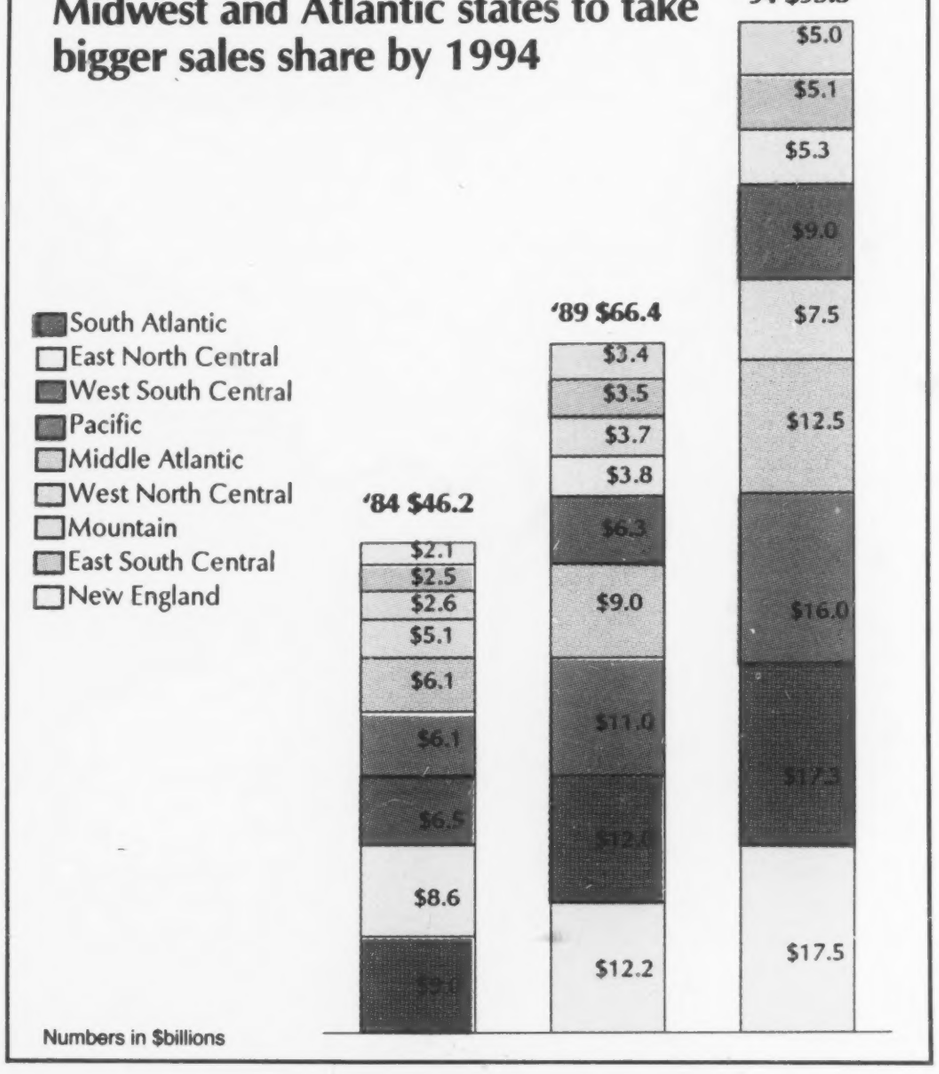
The South Atlantic states will grow slightly faster than the national average through 1994. The region's advantages include lower land development costs, energy, and wage rates. While Florida continues to boom, North Carolina and Virginia will also be good markets.

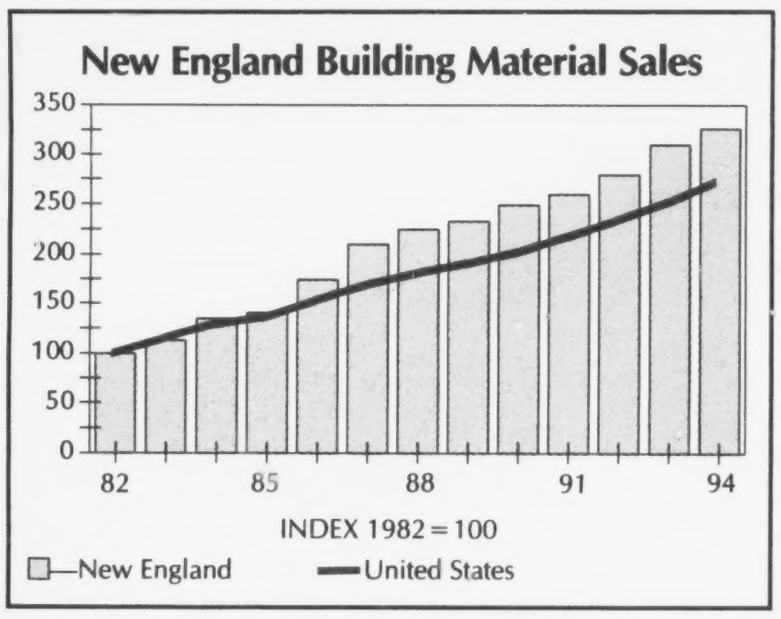
Energy prices should rise throughout the forecast period, with crude oil prices reaching $28 to $30 per barrel by 1994. Higher prices will encourage domestic production, boosting the economies of the West South Central and Mountain states. There will be additional pockets of strength in Alaska, West Virginia and Pennsylvania. Building material sales should rise faster through 1992 than the national average here.

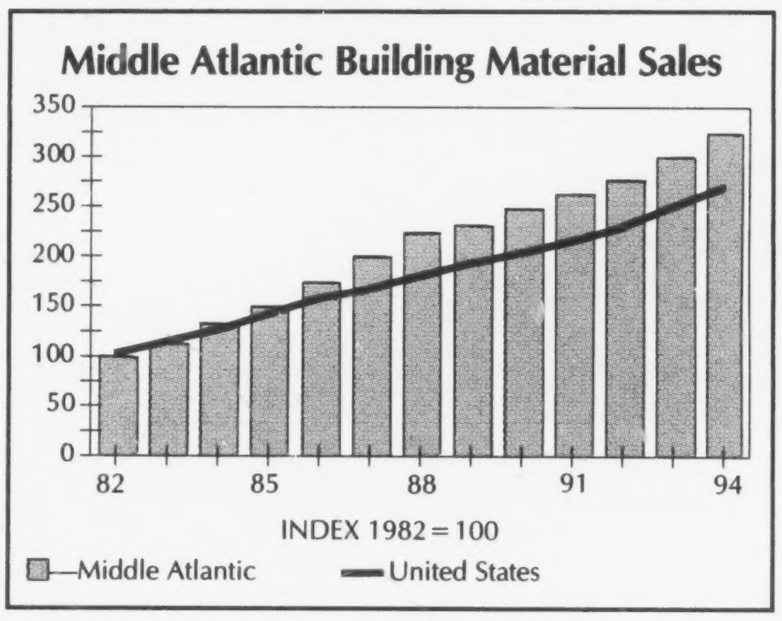
Pacific states will find it increasingly difficulty to grow faster than the nation as a whole through 1994. Los Angeles and San Francisco are increasingly facing the problems of the Northeast—overcrowding, high labor costs and lack of vacant land.

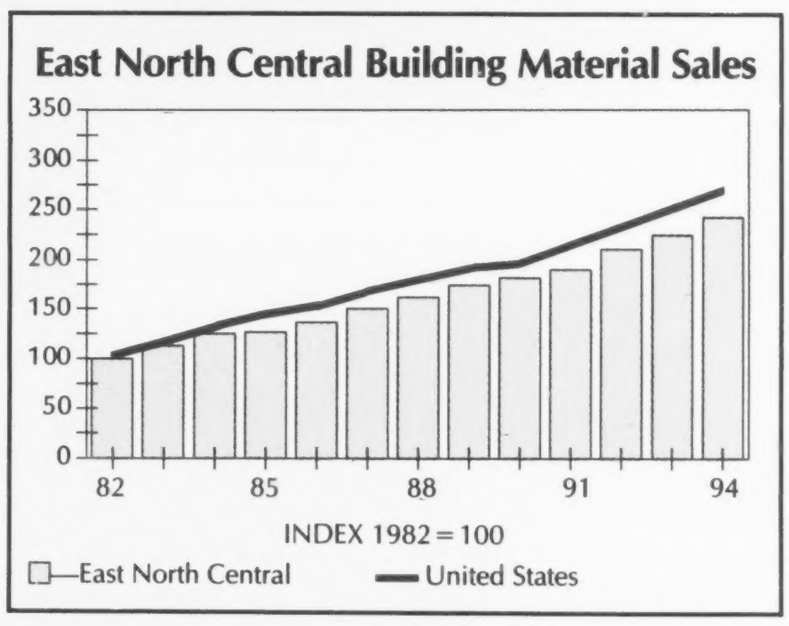
Richard Mount is president and chief economist with Mount Economic Consulting.

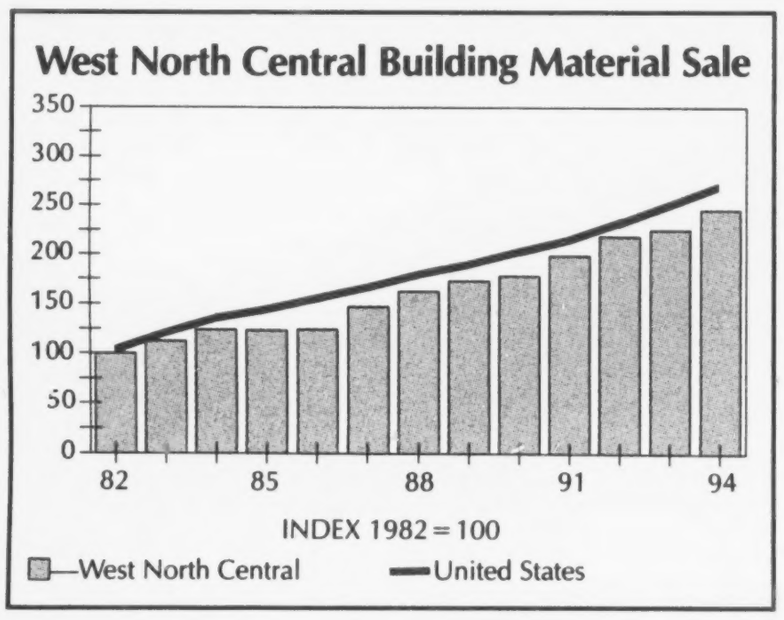
Midwest and Atlantic states to take bigger sales share by 1994

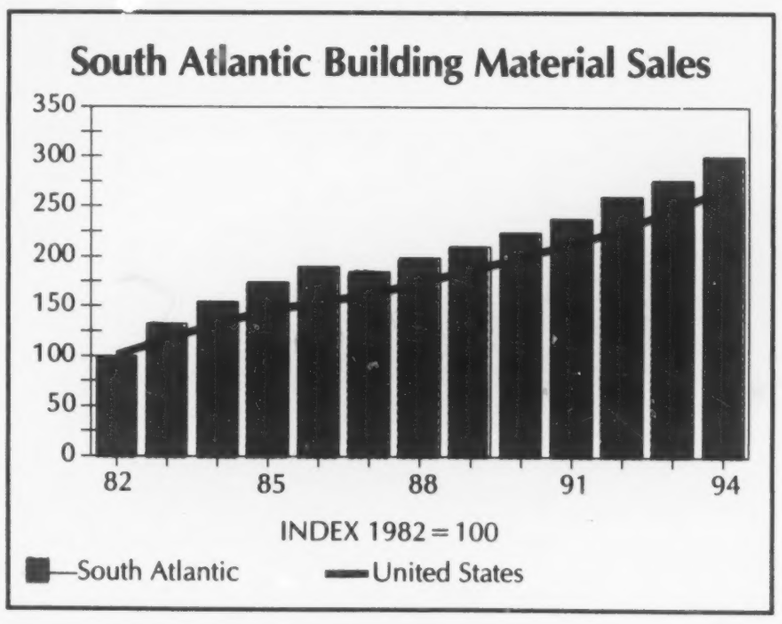


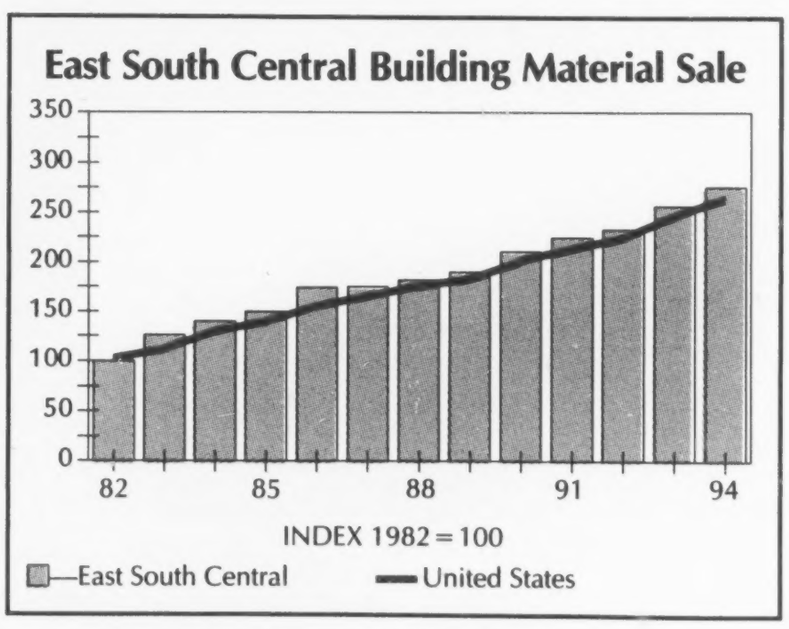


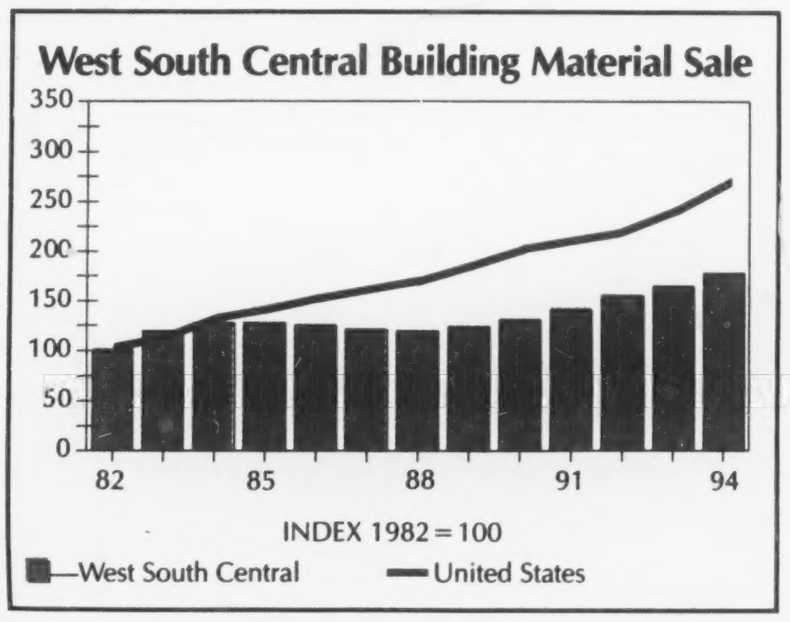


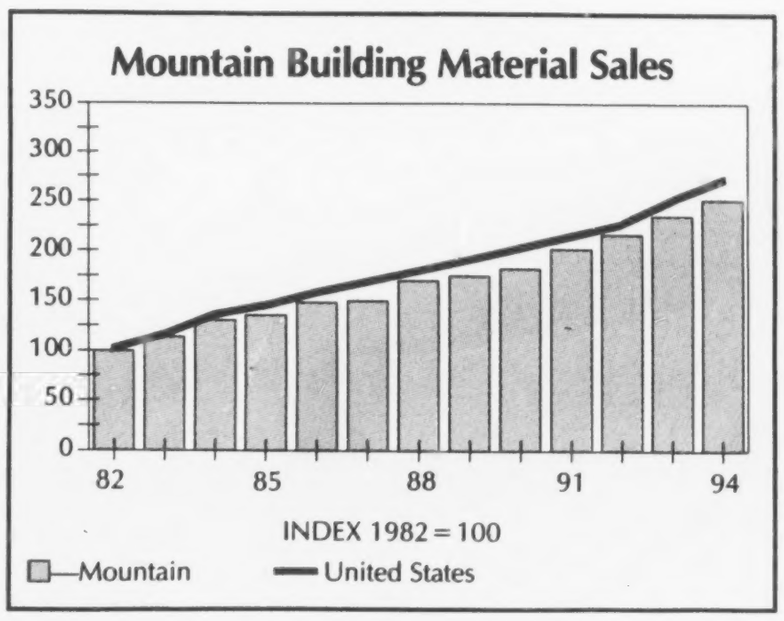


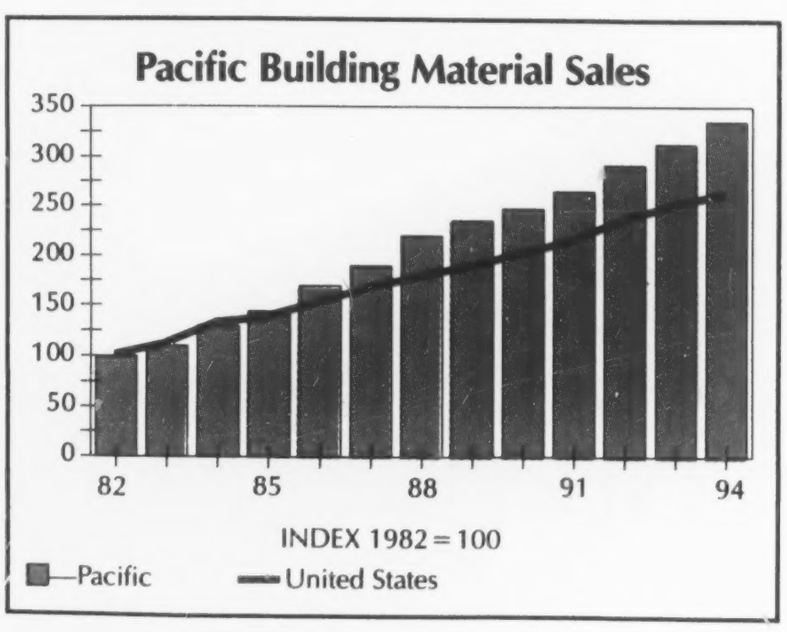












RETAIL CENSUS

THE *NHCN* TOP 300 RETAILERS

Rank 1988	Rank 1987	Company	In Millions Sales 1988	Sales 1987	% Change 1987-1988	% DIY 1988	% DIY 1987	Number of Stores 1988	Number of Stores 1987	Showroom sq. ft. Store avg. 1988	Showroom sq. ft. Store avg. 1987	SKUs Store avg. 1988	SKUs Store avg. 1987	Employees 1988	Employees 1987
1	1	**Lowe's Cos.,** North Wilkesboro, N.C.	**$2,516**	$2,440	3	**57**	57	**296**	295	**17,104**	16,182	**30,000**	26,000	**14,800**	14,761
2	3	**The Home Depot,** Atlanta	**2,000**	1,450	38	**85**	85	**96**	75	**86,000**	82,000	**30,000**	25,000	**13,000**	8,100
3	2	**Payless Cashways,** Kansas City, Mo.[1]	**1,900**	1,770	7	**90**	93	**195**	195	**27,000**	27,000	**15,000**	15,000	**15,000**	15,000
4	4	**Builders Square,** San Antonio, Texas	**1,700**	1,400	21	**70**	70	**133**	118	**80,000**	80,000	**22,000**	24,000	**15,000**	11,000
5	5	**Wickes Lumber,** Vernon Hills, Ill.	**1,200**	1,200	0	**40**	40	**210**	224	**9,000**	9,000	**10,000**	10,000	**7,500**	7,500
6	6	**Grossman's,** Braintree, Mass.	**1,142**	1,077	6	**80**	80	**246**	258	**31,870**	29,302	**11,000**	10,000	**8,100**	7,700
7	10	**Hechinger,** Landover, Md.[2]	**1,020**	725	41	**95**	95	**92**	79	**60,000**	60,000	**40,000**	40,000	**14,000**	10,000
8	7	**84 Lumber,** Eighty-Four, Pa.	**900**	821	10	**25**	20	**369**	361	**20,000**	20,000	**3,000**	3,000	**3,200**	4,500
9	11	**HomeClub,** Fullerton, Calif.*	**775**	650	19	**100**	100	**46**	36	**100,000**	100,000	**12,500**	12,500	**6,000**	5,000
10	9	**Builders Emporium,** Irvine, Calif.[3]	**700**	725	– 3	**90**	90	**119**	127	**35,000**	35,000	**25,000**	25,000	**7,200**	7,200
11	8	**Channel Home Centers,** Whippany, N.J.	**675**	725	– 7	**98**	98	**161**	180	**45,000**	45,000	**25,000**	25,000	**8,500**	9,500
12	12	**Sutherland,** Kansas City, Mo.*	**660**	635	4	**80**	80	**85**	83	**22,000**	22,000	**15,000**	15,000	**2,900**	2,900
13	13	**Menard's,** Eau Claire, Wis.	**620**	590	5	**85**	85	**40**	38	**70,000**	70,000	**50,000**	50,000	**3,300**	3,300
14	14	**Scotty's,** Winter Haven, Fla.[4]	**551**	528	4	**70**	70	**160**	141	**49,000**	49,000	**16,000**	16,000	**7,000**	6,303
15	15	**Rickel,** South Plainfield, N.J.	**503**	466	8	**100**	100	**51**	49	**42,000**	42,000	**28,000**	28,000	**5,812**	5,675
16	16	**Pay 'N Pak,** Kent, Wash.*	**463**	429	8	**100**	100	**105**	100	**33,900**	32,450	**15,000**	15,000	**2,300**	2,300
17	17	**Handy Andy,** Schaumburg, Ill.*	**370**	325	14	**98**	98	**49**	44	**68,000**	65,000	**25,000**	25,000	**4,500**	4,000
18	18	**Lanoga,** Redmond, Wash.[5]	**327**	323	1	**50**	50	**124**	127	**7,000**	7,000	**16,000**	16,000	**2,090**	2,000
19	21	**Erb Lumber,** Birmingham, Mich.[6]	**315**	288	9	**50**	50	**50**	44	**12,000**	11,500	**10,000**	10,000	**1,650**	1,400
20	22	**West Building Materials,** Atlanta	**300**	283	6	**50**	50	**68**	68	**45,000**	42,000	**20,000**	18,000	**3,000**	3,200
21	20	**Pergament Home Centers,** Melville, N.Y.	**300**	300	0	**88**	88	**40**	36	**40,000**	40,000	**40,000**	37,200	**3,000**	3,000
22	19	**Central Hardware,** Bridgeton, Mo.	**275**	300	– 8	**100**	100	**38**	35	**65,000**	65,000	**40,000**	40,000	**3,500**	3,200
23	25	**Diamond Lumber,** Dallas	**273**	233	17	**20**	20	**64**	63	**7,300**	7,300	**8,500**	8,500	**1,500**	1,500
24	24	**Carter-Jones Lumber,** Kent, Ohio	**260**	242	7	**55**	55	**146**	146	**8,000**	8,000	**8,000**	8,000	**2,000**	2,000
25	23	**Ernst Home & Nursery,** Seattle	**260**	260	0	**100**	100	**73**	73	**33,000**	33,000	**25,000**	25,000	**2,200**	2,650
26	26	**Wolohan Lumber,** Saginaw, Mich.	**258**	229	13	**52**	51	**45**	42	**23,000**	23,000	**8,000**	8,000	**1,600**	1,500
27	27	**Orchard Supply Hardware,** San Jose, Calif.*[7]	**250**	200	25	**80**	80	**31**	30	**35,000**	35,000	**45,000**	45,000	**3,000**	2,900
28	29	**McCoy's,** San Marcos, Texas	**216**	190	14	**70**	70	**86**	80	**15,000**	15,000	**8,000**	8,000	**1,000**	1,000
29	28	**Gerrity Building Centers,** Newton Falls, Mass.	**194**	194	0	**23**	15	**19**	18	**4,500**	4,500	**12,000**	12,000	**721**	721
30	33	**Mr. Goodbuys,** Philadelphia	**180**	138	30	**95**	95	**17**	12	**75,000**	75,000	**40,000**	40,000	**2,200**	1,800
31	32	**BMC West,** Boise, Idaho	**166**	149	11	**25**	25	**20**	20	**10,000**	10,000	**12,000**	12,000	**930**	850
32	34	**Terry Companies,** Tarzana, Calif.	**163**	133	23	**5**	8	**13**	13	**5,000**	5,000	**10,000**	10,000	**530**	520
33	30	**National Lumber,** Fountain Valley, Calif.	**152**	159	– 4	**99**	99	**20**	20	**60,000**	60,000	**24,000**	24,000	**1,300**	1,500
34	31	**Strober Organization,** Brooklyn, N.Y.[8]	**145**	152	– 5	**10**	10	**12**	12	**15,000**	15,000	**16,000**	16,000	**500**	480
35	35	**Dixieline,** San Diego	**140**	115	22	**48**	53	**10**	9	**20,000**	20,000	**25,000**	25,000	**1,050**	900
36	38	**Meeks Building Centers,** Springfield, Mo.	**122**	110	11	**40**	40	**27**	25	**14,000**	14,000	**30,000**	27,000	**500**	500
37	42	**The Andersons,** Maumee, Ohio	**120**	100	20	**34**	34	**6**	6	**120,000**	120,000	**50,000**	50,000	**1,400**	1,400
38	37	**Copeland Lumber Yards,** Portland, Ore.	**115**	110	5	**40**	40	**75**	75	**5,000**	5,000	**6,000**	6,000	**700**	700
39	43	**P.F. O'Connor,** Braintree, Mass.	**108**	93	16	**80**	60	**10**	10	**45,000**	10,000	**15,000**	11,000	**650**	575
40	36	**Lloyd Home & Building Ctrs.,** Danbury, Conn.	**107**	110	– 3	**75**	75	**36**	34	**13,000**	12,000	**15,000**	15,000	**1,000**	1,000
41	50	**Alexander Lumber,** Aurora, Ill.	**100**	85	18	**25**	30	**51**	53	**5,000**	5,000	**10,000**	10,000	**390**	380
42	40	**Foxworth-Galbraith,** Dallas	**100**	100	0	**40**	40	**50**	50	**12,000**	12,000	**30,000**	30,000	**1,000**	1,000
43	41	**Edward Hines Lumber,** Chicago*	**100**	100	0	**40**	40	**24**	24	**9,000**	9,000	**8,000**	8,000	**800**	800
44	48	**Westlake Hardware,** Lenexa, Kan.	**97**	90	8	**92**	92	**48**	46	**22,000**	22,000	**35,000**	35,000	**1,200**	1,100
45	49	**ACO,** Farmington Hills, Mich.	**91**	86	6	**85**	85	**72**	72	**13,500**	14,000	**20,000**	20,000	**1,200**	1,100
46	45	**Lyman Lumber,** Excelsior, Minn.	**91**	91	0	**5**	5	**4**	4	**2,500**	2,500	**NA**	NA	**450**	450
47	59	**Seigle's Home & Building Centers,** Elgin, Ill.	**90**	74	22	**35**	35	**6**	6	**27,000**	27,000	**24,000**	24,000	**520**	470
48	47	**Anderson Lumber,** Ogden, Utah	**90**	90	0	**30**	30	**22**	22	**6,000**	6,000	**15,000**	15,000	**550**	550
49	46	**Hill-Behan Lumber,** St. Louis	**90**	90	0	**60**	50	**34**	34	**12,000**	12,000	**13,000**	13,000	**750**	750
50	44	**Lampert Lumber,** St. Paul, Minn.	**90**	91	– 1	**60**	60	**44**	44	**12,000**	12,000	**13,000**	13,000	**750**	750
51	39	**O'Malley's,** Phoenix*	**90**	101	–11	**33**	30	**10**	13	**25,000**	25,000	**20,000**	20,000	**600**	740
52	61	**Brown-Graves,** Akron, Ohio	**85**	71	20	**45**	45	**5**	5	**10,000**	10,000	**15,000**	15,000	**360**	370
53	52	**Valu Home Centers,** Buffalo, N.Y.*	**85**	81	5	**100**	100	**27**	25	**27,000**	27,000	**15,000**	15,000	**800**	750
54	51	**Builderway, Inc.,** Greenville, S.C.	**85**	82	4	**15**	15	**14**	14	**6,000**	6,000	**8,000**	8,000	**400**	400
55	53	**Wolf Organization,** York, Pa.	**84**	80	5	**30**	30	**30**	28	**1,500**	1,500	**3,000**	3,000	**210**	200
56	55	**Stambaugh-Thompson,** Youngstown, Ohio.	**83**	78	6	**100**	100	**20**	20	**27,500**	27,500	**20,000**	20,000	**1,300**	1,200
57	73	**A.C. Houston Lumber,** Wichita, Kan.	**80**	60	33	**10**	10	**9**	10	**20,000**	17,000	**14,000**	14,000	**500**	525
58	65	**Thompson Building Materials,** Orange, Calif.	**80**	70	14	**20**	20	**9**	9	**25,000**	25,000	**1,000**	1,000	**290**	290
59	60	**Chase-Pitkin,** Rochester, N.Y.*	**80**	72	11	**95**	95	**11**	11	**48,000**	45,000	**30,000**	30,000	**870**	800
60	54	**James Lumber Co.,** Huntington Beach, Calif.*	**80**	80	0	**5**	5	**1**	1	**4,200**	4,200	**NA**	NA	**NA**	NA
61	66	**General Building Products,** Medford, N.Y.	**79**	68	16	**40**	40	**10**	7	**6,000**	6,000	**12,000**	12,000	**320**	311
62	57	**Seacoast/Pelican Building Centers,** Conway, S.C.	**78**	75	4	**22**	22	**11**	11	**15,000**	15,000	**15,000**	15,000	**500**	500
63	63	**Busy Beaver,** Pittsburgh	**75**	70	7	**95**	95	**15**	14	**25,000**	20,000	**14,000**	13,000	**600**	425
64	56	**Scherer Brothers,** Minneapolis	**75**	75	0	**10**	10	**3**	3	**3,000**	3,000	**8,000**	8,000	**275**	275
65	58	**Chandler Lumber,** Van Nuys, Calif.	**75**	75	0	**5**	10	**4**	4	**22,000**	25,000	**23,000**	23,000	**250**	250

*NHCN estimate
[1]Payless Cashways includes $200 million in retail sales from eight-unit Somerville Lumber.
[2]Hechinger includes sales from HomeQuarters Warehouse and six-unit Triangle Building Centers, acquired last year.
[3]Builders Emporium is being offered for sale by its parent, Wickes Cos.
[4]Scotty's parent, GB-Inno-BM, the Belgian retailer, has bid to purchase Scotty's remaining common stock in March 1989.
[5]Lanoga includes sales from subsidiaries United Building Centers, Lumbermen's and Spenard's.
[6]Erb Lumber includes sales from Braver Lumber, Detroit.
[7]Wickes Cos. agreed to sell Orchard to its management on April 12, 1989.
[8]Strober Organization includes sales from General Building Supply, East Hartford, Conn., which was acquired in 1987.

RETAIL CENSUS

Rank 1988	Rank 1987	Company	In Millions Sales 1988	Sales 1987	% Change 1987-1988	% DIY 1988	% DIY 1987	Number of Stores 1988	Number of Stores 1987	Showroom sq. ft. Store avg. 1988	Showroom sq. ft. Store avg. 1987	SKUs store Average 1988	SKUs store Average 1987	Employees 1988	Employees 1987
66	68	**Church's Lumber,** Utica, Mich.	**$72**	$67	7	**75**	75	**16**	15	**20,000**	20,000	**17,000**	17,000	**550**	500
67	72	**Fagen's,** Verona, Pa.	**71**	63	13	**25**	25	**15**	14	**8,000**	8,000	**10,000**	10,000	**475**	400
68	62	**Courtesy Home Centers,** Mt. Prospect, Ill.	**70**	70	0	**85**	80	**6**	6	**50,000**	50,000	**35,000**	35,000	**900**	910
69	67	**Western Lumber,** National City, Calif.*	**68**	67	1	**50**	50	**10**	10	**7,500**	7,500	**8,000**	8,000	**500**	500
70	64	**National Home Center,** Springdale, Ark.	**68**	70	− 3	**45**	45	**6**	6	**42,000**	42,000	**18,000**	20,000	**478**	500
71	80	**Ganahl Lumber,** Anaheim, Calif.	**66**	55	20	**11**	11	**3**	3	**9,000**	9,000	**14,000**	14,000	**425**	425
72	96	**Henry Bacon Building Materials,** Bellevue, Wash.	**65**	45	44	**40**	40	**5**	5	**16,000**	16,000	**13,000**	13,000	**300**	285
73	76	**Webber Lumber & Supply,** Worcester, Mass.*	**65**	60	8	**60**	60	**8**	8	**NA**	NA	**NA**	NA	**NA**	NA
74	93	**Barr Lumber,** Los Alamitos, Calif.	**62**	48	29	**20**	20	**4**	4	**12,500**	12,500	**10,000**	10,000	**230**	180
75	82	**Haddonfield Lumber,** Haddonfield, N.J.	**60**	55	9	**10**	10	**6**	6	**3,000**	3,000	**8,000**	8,000	**230**	230
76	79	**Williams Brothers,** Atlanta	**60**	55	9	**35**	30	**10**	9	**10,000**	10,000	**14,000**	14,000	**500**	500
77	83	**Holmes Lumber, Co.,** Jacksonville, Fla.	**60**	55	9	**4**	4	**4**	4	**10,000**	10,000	**16,000**	16,000	**450**	425
78	74	**Neiman-Reed's Lumber City,** Van Nuys, Calif.	**60**	60	0	**95**	95	**10**	10	**34,000**	34,000	**22,000**	22,000	**600**	1,000
79	70	**Cox Lumber,** St. Petersburg, Fla.	**60**	66	− 9	**22**	22	**13**	13	**9,000**	9,000	**8,000**	8,000	**550**	600
80	81	**Bellevue Builders Supply,** Schenectady, N.Y.	**59**	55	7	**34**	34	**1**	1	**22,000**	22,000	**15,000**	15,000	**235**	235
81	78	**Curtis Lumber,** Ballston Spa, N.Y.	**57**	58	− 2	**45**	45	**8**	8	**14,000**	14,000	**14,000**	13,000	**264**	260
82	87	**Kogel Giant Building Supply,** Middle Island, N.Y.	**57**	51	12	**5**	5	**7**	5	**8,000**	8,000	**7,000**	7,000	**300**	300
83	84	**E.C. Barton,** Jonesboro, Ark.	**53**	54	− 1	**40**	40	**27**	27	**6,000**	6,000	**8,000**	8,000	**400**	375
84	77	**East Coast Lumber,** East Hampstead, N.H.*	**53**	58	− 9	**18**	16	**3**	3	**5,000**	5,000	**15,000**	15,000	**210**	250
85	108	**Central Michigan Lumber,** St. Johns, Mich.	**52**	42	24	**65**	65	**5**	5	**6,000**	6,000	**10,000**	9,000	**150**	187
86	95	**NHD Stores,** Stoughton, Mass.	**52**	46	12	**100**	100	**33**	30	**16,000**	16,000	**27,500**	27,500	**616**	566
87	94	**Yardbirds of California,** Petaluma, Calif.	**50**	46	9	**95**	98	**6**	6	**40,000**	40,000	**15,000**	15,000	**270**	270
88	89	**M.G.Building Materials,** San Antonio, Texas	**50**	50	0	**65**	50	**4**	4	**10,000**	10,000	**15,000**	13,000	**100**	100
89	88	**Parr Lumber,** Aloha, Ore.*	**50**	50	0	**25**	25	**9**	9	**4,000**	4,000	**15,000**	15,000	**250**	250
90	90	**Miron Building Products,** Kingston, N.Y.*	**50**	50	0	**50**	50	**12**	12	**NA**	NA	**NA**	NA	**NA**	NA
91	85	**Goodman's Lumber,** San Francisco	**50**	53	− 6	**100**	100	**4**	4	**50,000**	50,000	**35,000**	35,000	**220**	220
92	92	**The Paty Co.,** Piney Flats, Tenn.	**49**	49	0	**55**	55	**6**	6	**20,000**	20,000	**13,000**	13,000	**500**	450
93	105	**Diamond Point Lumber,** Glens Falls, N.Y.	**48**	44	9	**50**	50	**9**	8	**9,000**	9,000	**12,000**	12,000	**300**	300
94	102	**Feldman Lumber Co.,** Brooklyn, N.Y.	**47**	45	4	**20**	20	**3**	3	**5,000**	5,000	**NA**	NA	**150**	150
95	101	**Fox Lumber,** Chicago*	**47**	45	4	**50**	50	**4**	4	**9,000**	9,000	**10,000**	10,000	**NA**	NA
96	91	**Nickerson Lumber Co.,** Orleans, Mass.[9]	**47**	49	− 4	**25**	25	**7**	7	**15,000**	12,000	**17,000**	17,000	**265**	265
97	121	**Bison Building Materials,** Houston	**45**	37	22	**15**	15	**3**	3	**4,500**	4,500	**60,000**	60,000	**400**	330
98	109	**Lezzer Lumber,** Curwensville, Pa.	**45**	42	8	**60**	60	**6**	6	**15,000**	15,000	**15,000**	14,000	**175**	155
99	99	**J.T.'s Home Centers,** Middletown, R.I.	**45**	45	0	**30**	30	**4**	4	**15,000**	15,000	**15,000**	15,000	**250**	275
100	98	**Nassau Suffolk Lumber,** Hauppauge, N.Y.	**45**	45	0	**30**	30	**6**	6	**3,000**	3,000	**10,000**	10,000	**235**	235
101	97	**Star Lumber,** Wichita, Kan.	**45**	45	0	**47**	47	**3**	3	**30,000**	30,000	**35,000**	35,000	**400**	420
102	75	**Lonestar Hardware,** Miami Lakes, Fla.[10]	**45**	60	−25	**90**	100	**19**	22	**25,000**	30,000	**25,000**	20,000	**450**	525
103	116	**M.L.Claster & Sons,** Bellefonte, Pa.	**44**	39	13	**50**	50	**11**	11	**10,000**	10,000	**7,000**	7,000	**260**	260
104	106	**Causeway Lumber,** Ft. Lauderdale, Fla.	**44**	42	5	**15**	15	**3**	3	**6,900**	6,900	**18,000**	18,000	**325**	325
105	104	**Lampert Yards,** St. Paul, Minn.	**44**	44	0	**45**	45	**29**	29	**4,000**	4,000	**10,000**	10,000	**210**	210
106	110	**Standard Supply & Lumber,** Grand Rapids, Mich.	**43**	41	5	**35**	35	**12**	12	**5,000**	5,000	**12,500**	12,500	**225**	220
107	124	**City Mill,** Honolulu	**42**	36	17	**80**	91	**5**	5	**40,000**	40,000	**22,000**	21,000	**360**	325
108	86	**Hancock Co.,** Casco, Maine	**42**	51	−18	**40**	46	**7**	7	**4,000**	4,000	**15,000**	15,000	**180**	150
109	119	**San Lorenzo Lumber,** Santa Cruz, Calif.	**42**	38	11	**40**	40	**4**	4	**15,000**	15,000	**NA**	NA	**175**	160
110	113	**Rigg's Supply,** Kennett, Mo.	**41**	39	5	**60**	60	**8**	8	**20,000**	20,000	**9,000**	9,000	**145**	145
111	139	**Hayward Lumber,** Salinas, Calif.	**40**	33	21	**36**	36	**7**	7	**12,000**	12,000	**15,000**	15,000	**225**	175
112	135	**William M. Young,** Wilmington, Del.	**40**	34	18	**15**	15	**1**	1	**NA**	NA	**NA**	NA	**75**	75
113	122	**Stock Lumber, Inc.,** Green Bay, Wis.	**40**	37	8	**20**	20	**6**	5	**NA**	NA	**15,000**	15,000	**250**	225
114	117	**Plywood Minnesota,** Minneapolis*	**40**	38	5	**60**	70	**13**	13	**30,000**	30,000	**7,500**	7,500	**375**	350
115	114	**Great Plains Supply,** St. Paul, Minn.	**40**	39	3	**30**	30	**34**	34	**4,000**	4,000	**10,000**	10,000	**250**	250
116	112	**Riverhead Building Supply,** Riverhead, N.Y.*	**40**	40	0	**20**	20	**4**	3	**6,000**	6,000	**NA**	NA	**200**	150
117	111	**National Lumber,** Newton Highlands, Mass.	**40**	40	0	**10**	10	**3**	3	**1,500**	1,500	**10,000**	10,000	**80**	70
118	103	**Woodhaven Lumber,** Point Pleasant Beach, N.J.*	**40**	45	−11	**25**	25	**2**	2	**NA**	NA	**NA**	NA	**NA**	NA
119	130	**Pine Tree Lumber,** Escondido, Calif.	**39**	35	11	**20**	25	**3**	3	**5,000**	5,000	**25,000**	25,000	**150**	135
120	115	**Masten Lumber,** Milford, Del.	**39**	39	0	**30**	30	**7**	7	**14,500**	14,500	**15,000**	15,000	**210**	210
121	118	**Bauer Enterprises,** Stow, Ohio	**38**	38	0	**60**	60	**14**	12	**8,000**	8,000	**10,000**	8,000	**300**	275
122	107	**Fairfield Lumber,** Fairfield, Conn.	**38**	42	−10	**10**	6	**3**	3	**5,000**	5,000	**15,000**	15,000	**130**	160
123	100	**Riverside Millwork,** Penacook, N.H.	**38**	45	−16	**15**	15	**6**	5	**3,000**	3,000	**NA**	NA	**280**	305
124	140	**Western Home Center,** Cincinnati	**37**	33	12	**NA**	NA	**3**	3	**13,000**	13,000	**NA**	NA	**300**	250
125	127	**Builders General Supply,** Cranford, N.J.	**37**	35	6	**15**	15	**4**	4	**2,500**	2,500	**3,000**	3,000	**130**	130
126	125	**LaValley Building Supply,** Newport, N.H.	**37**	36	3	**38**	40	**5**	4	**7,000**	8,000	**30,000**	30,000	**170**	165
127	120	**Moser Lumber,** Naperville, Ill.	**37**	37	0	**22**	22	**2**	2	**25,000**	25,000	**24,000**	24,000	**225**	225
128	158	**Continental Lumber,** West Haven, Conn.	**36**	29	24	**10**	10	**2**	2	**2,000**	2,000	**5,000**	5,000	**60**	60
129	126	**Ridge Lumber,** Baltimore*	**36**	36	0	**10**	10	**1**	1	**NA**	NA	**NA**	NA	**NA**	NA
130	182	**Piedmont Lumber,** Pleasant Hill, Calif.	**35**	26	35	**40**	40	**5**	4	**15,000**	15,000	**30,000**	30,000	**209**	125
131	164	**Davidson's Industry,** Southport, Ind.	**35**	28	25	**3**	3	**1**	1	**7,000**	7,000	**15,000**	15,000	**200**	175
132	147	**Ply-Marts,** Norcross, Ga.	**35**	31	13	**7**	7	**3**	3	**5,000**	5,000	**7,000**	5,000	**200**	200
133	134	**Fingerle Lumber,** Ann Arbor, Mich.	**35**	34	3	**25**	25	**1**	1	**20,000**	20,000	**25,000**	25,000	**150**	150
134	133	**Sinclair Lumber,** Laurinsburg, N.C.	**35**	34	3	**12**	12	**8**	8	**13,000**	13,000	**14,500**	14,000	**200**	300
135	131	**Shaw Lumber Co.,** St. Paul, Minn.	**35**	35	0	**30**	30	**2**	2	**20,000**	20,000	**18,000**	18,000	**170**	170

*NHCN estimate
[9]Nickerson Lumber changed its name from Mid-Cape Home Centers.
[10]Lonestar Hardware (Miami) was broken off from division in San Antonio, Texas.

RETAIL CENSUS

Rank 1988	Rank 1987	Company	In Millions Sales 1988	Sales 1987	% Change 1987-1988	% DIY 1988	% DIY 1987	Number of Stores 1988	Number of Stores 1987	Showroom sq. ft. Store avg. 1988	Showroom sq. ft. Store avg. 1987	SKUs store Average 1988	SKUs store Average 1987	Employees 1988	Employees 1987
136	128	**Pease Co.,** Hamilton, Ohio	**$35**	$35	0	**15**	15	**5**	4	**7,000**	7,000	**6,000**	6,000	**225**	225
137	151	**O. B. Thompson,** Minnetonka, Minn.*	**34**	30	13	**80**	80	**8**	8	**10,000**	10,000	**20,000**	20,000	**140**	135
138	142	**Big Tin Barn,** Diboll, Texas.	**34**	32	6	**30**	20	**4**	5	**5,000**	5,000	**10,000**	10,000	**90**	100
139	132	**Kempsville Lumber,** Virginia Beach, Va.	**34**	34	0	**25**	25	**1**	1	**12,000**	12,000	**12,000**	12,000	**180**	180
140	156	**Big Creek Lumber,** Davenport, Calif.	**33**	30	10	**25**	25	**3**	3	**10,000**	10,000	**30,000**	30,000	**180**	180
141	148	**Builders Supply,** Omaha	**33**	31	6	**11**	11	**1**	1	**20,000**	20,000	**25,000**	25,000	**200**	200
142	141	**Raymond Building Supply,** N. Fort Meyers, Fla.	**33**	33	0	**5**	4	**3**	3	**10,000**	10,000	**NA**	3,000	**255**	260
143	137	**Fullerton Lumber,** Minneapolis	**33**	33	0	**NA**	NA	**27**	27	**13,000**	13,000	**17,000**	17,000	**400**	400
144	123	**Lester Group,** Martinsville, Va.	**33**	36	− 8	**35**	35	**5**	5	**10,250**	10,250	**6,500**	6,500	**175**	175
145	166	**Spahn and Rose Lumber,** Dubuque, Iowa	**32**	27	19	**65**	65	**24**	24	**3,500**	3,500	**15,000**	15,000	**167**	150
146	152	**J.C. Snavely & Sons,** Landisville, Pa.	**32**	30	7	**15**	15	**2**	2	**8,000**	8,000	**NA**	NA	**255**	255
147	146	**Moynihan North Reading Lumber,** No. Reading, Pa.	**32**	NA	NA	**25**	25	**2**	2	**6,000**	4,500	**10,000**	10,000	**130**	130
148	144	**Peter Lumber,** Pleasantville, N.J.	**32**	32	0	**25**	25	**13**	13	**6,000**	6,000	**8,000**	8,000	**110**	110
149	129	**The Level Line, Inc.,** Lakewood, N.J.	**32**	35	− 9	**30**	20	**2**	2	**6,000**	6,000	**NA**	NA	**200**	250
150	181	**Mutual Materials, Co.,** Bellevue, Wash.	**31**	26	19	**NA**	NA	**11**	10	**NA**	NA	**NA**	NA	**NA**	NA
151	167	**Roper Bros. Lumber,** Petersburg, Va.	**31**	27	15	**10**	10	**5**	3	**9,000**	9,000	**12,000**	12,000	**200**	150
152	157	**Builderama,** Savannah, Ga.	**31**	29	7	**80**	82	**10**	9	**30,000**	30,000	**21,000**	20,000	**400**	400
153	149	**Champion Lumber,** Riverside, Calif.	**31**	31	0	**10**	10	**1**	1	**10,000**	10,000	**1,000**	1,000	**80**	70
154	145	**Hinckley Home Centers,** Hyannis, Mass.	**31**	32	− 3	**38**	38	**4**	4	**8,500**	7,000	**24,000**	24,000	**170**	160
155	136	**Thompson Lumber,** Brooklyn Center, Minn.	**31**	34	− 9	**5**	5	**2**	2	**5,000**	5,000	**4,500**	4,500	**65**	65
156	244	**Shelly Enterprise,** Souderton, Pa.	**30**	20	50	**30**	30	**3**	3	**5,300**	5,300	**20,000**	20,000	**185**	185
157	191	**Latham Home Center,** Roseville, Calif.	**30**	25	20	**25**	25	**3**	3	**10,000**	5,000	**5,000**	4,000	**300**	225
158	190	**H&E DIY Centers,** Victorville, Calif.	**30**	25	20	**96**	96	**6**	6	**35,000**	35,000	**35,000**	35,000	**275**	275
159	177	**Jaeger Lumber,** Union, N.J.	**30**	26	15	**40**	40	**5**	5	**8,000**	8,000	**8,700**	8,000	**150**	126
160	172	**Midland Lumber & Supply,** Midland Park, N.J.*	**30**	27	11	**30**	30	**2**	2	**2,500**	2,500	**15,000**	15,000	**150**	150
161	165	**Millard Lumber,** Omaha	**30**	27	11	**25**	25	**3**	2	**19,000**	19,000	**25,000**	25,000	**200**	200
162	162	**Century Supply Co.,** Lombard, Ill.	**30**	28	7	**50**	50	**7**	7	**6,000**	6,000	**20,000**	19,000	**175**	160
163	163	**Golden State Lumber,** San Rafael, Calif.*	**30**	28	7	**25**	25	**2**	2	**NA**	NA	**NA**	NA	**NA**	NA
164	154	**Big Bear,** St. Cloud, Minn.	**30**	30	0	**85**	85	**49**	49	**9,000**	9,000	**12,000**	10,000	**300**	300
165	155	**International Paper Co.,** Prairie Village, Kan.	**30**	30	0	**45**	50	**9**	9	**6,000**	6,000	**10,000**	10,000	**140**	140
166	160	**All American Home Center,** Downey, Calif.	**30**	29	5	**100**	100	**1**	1	**140,000**	140,000	**95,000**	85,000	**325**	300
167	173	**Friedman Bros. Lumber,** Santa Rosa, Calif.*	**29**	26	10	**70**	70	**1**	1	**NA**	NA	**NA**	NA	**NA**	NA
168	168	**Yaeger & Kirk,** Santa Rosa, Calif.	**29**	27	7	**25**	25	**3**	3	**25,000**	25,000	**23,000**	23,000	**180**	180
169	175	**Stacy Building Materials,** Mobile, Ala.	**29**	26	10	**55**	60	**6**	6	**22,000**	22,000	**17,000**	17,000	**175**	300
170	189	**Lumber Headquarters,** Floral Park, N.Y.	**28**	25	12	**80**	80	**13**	13	**5,000**	5,000	**6,000**	6,000	**225**	220
171	192	**Kesseli & Morse Co.,** Worcester, Mass.	**28**	25	12	**10**	10	**4**	4	**2,750**	2,750	**4,500**	4,500	**60**	60
172	183	**Richardson Industries,** Sheboygan Falls, Wis.	**28**	26	8	**30**	30	**2**	2	**13,000**	13,000	**10,000**	8,000	**160**	120
173	176	**TAPJAC Co.,** Carthage, Mo.	**28**	26	8	**60**	60	**16**	14	**12,000**	12,000	**12,500**	12,000	**270**	270
174	180	**Learned Lumber,** Hermosa Beach, Calif.	**28**	26	8	**15**	15	**2**	2	**4,500**	4,500	**20,000**	20,000	**80**	78
175	150	**Babbitt Brothers,** Flagstaff, Ariz.*	**28**	30	− 7	**35**	40	**6**	6	**9,000**	8,000	**17,000**	20,000	**250**	135
176	138	**Panning Lumber,** Orlando, Fla.	**28**	33	−15	**5**	5	**6**	7	**1,200**	1,200	**4,500**	4,500	**225**	227
177	71	**Mack Industries,** Hollywood, Fla.[11]	**28**	65	−57	**10**	20	**6**	6	**3,000**	20,000	**NA**	9,000	**200**	530
178	208	**Wallich Lumber,** Detroit, Mich.	**28**	24	15	**15**	15	**1**	1	**14,000**	14,000	**2,200**	2,200	**100**	100
179	170	**Guy C. Lee Building Materials,** Smithfield, N.C.	**27**	27	0	**25**	25	**6**	6	**6,000**	6,000	**NA**	NA	**100**	100
180	171	**Cleveland Builders Supply,** Cleveland	**27**	27	0	**15**	15	**6**	6	**6,000**	6,000	**NA**	NA	**90**	90
181	159	**Big Blue Stores,** Seymour, Ind.	**27**	29	− 7	**70**	70	**15**	15	**15,000**	15,000	**40,000**	36,000	**245**	245
182	153	**Midpac Lumber Co.,** Honolulu	**27**	30	−10	**25**	25	**1**	1	**5,000**	5,000	**5,800**	5,800	**170**	170
183	143	**Nonantum Lumber Co.,** Watertown, Mass.	**27**	32	−16	**40**	40	**1**	1	**32,000**	32,000	**27,000**	27,000	**105**	100
184	220	**Alamo Lumber,** San Antonio, Texas[12]	**26**	22	18	**55**	55	**38**	16	**3,500**	3,500	**4,500**	4,500	**260**	240
185	210	**Calcasieu Lumber,** Austin, Texas	**26**	23	13	**2**	2	**1**	1	**10,000**	10,000	**13,500**	13,500	**135**	125
186	209	**Rocky's Home Center,** Springfield, Mass.	**26**	24	11	**90**	90	**8**	8	**17,000**	17,000	**30,000**	30,000	**185**	185
187	186	**Herndon Lumber & Millwork,** Gainesville, Va.*	**26**	25	4	**NA**	NA	**1**	1	**5,000**	5,000	**5,000**	5,000	**200**	210
188	202	**Frierson Building Supply,** Jackson, Miss.*	**26**	25	4	**40**	40	**1**	1	**NA**	NA	**NA**	NA	**NA**	NA
189	174	**Cofer Brothers,** Tucker, Ga.	**26**	26	0	**30**	15	**1**	1	**6,000**	6,000	**10,000**	10,000	**85**	85
190	179	**Thurman Industries,** Kirkland, Wash.	**26**	26	0	**80**	80	**15**	14	**15,000**	15,000	**10,000**	10,000	**140**	140
191	184	**Albert R. Lavalley, Inc.,** Sanford, Maine	**26**	26	0	**25**	20	**3**	3	**5,000**	5,000	**16,000**	15,000	**165**	160
192	178	**Consolidated Lumber,** Stillwater, Minn.	**26**	26	0	**25**	25	**9**	9	**2,000**	2,000	**1,500**	1,500	**120**	120
193	214	**C & C Building Supplies,** Tarrs, Pa.	**26**	23	11	**45**	45	**1**	1	**25,000**	17,000	**18,000**	20,000	**62**	62
194	258	**Mead Clark Lumber,** Santa Rosa, Calif.	**25**	20	25	**16**	10	**1**	1	**22,000**	22,000	**16,000**	16,000	**75**	75
195	249	**Fairfax Lumber & Millwork,** Springfield, Va.	**25**	20	25	**10**	10	**2**	2	**7,500**	7,500	**5,000**	5,000	**130**	130
196	238	**W.H. Conyngham & Co.,** Wilkes Barre, Pa.	**25**	21	19	**12**	10	**6**	6	**4,000**	4,000	**14,000**	14,000	**110**	100
197	232	**Ridout Lumber,** Searcy, Ark.	**25**	22	14	**50**	50	**8**	8	**10,000**	10,000	**NA**	NA	**135**	100
198	221	**Levy's Building Centers,** Louisville, Ky.	**25**	22	14	**80**	80	**4**	4	**60,000**	60,000	**25,000**	25,000	**300**	300
199	233	**The Country Lumber Co.,** Santa Barbara, Calif.*	**25**	22	14	**10**	10	**2**	2	**NA**	NA	**NA**	NA	**NA**	NA
200	225	**Gulf Stream Lumber,** Boynton Beach, Fla.	**25**	22	14	**10**	10	**2**	1	**8,500**	8,500	**20,000**	20,000	**170**	125
201	215	**Stottlemyer & Shoemaker Lumber,** Sarasota, Fla.	**25**	23	9	**11**	15	**2**	2	**10,000**	10,000	**9,000**	9,000	**200**	200
202	218	**F.E. Wheaton & Co.,** Wheaton, Ill.	**25**	23	9	**10**	10	**1**	1	**15,000**	15,000	**4,000**	4,000	**80**	65
203	207	**A.H. Angerstein,** Wilmington, Del.	**25**	24	4	**30**	30	**2**	2	**100,000**	100,000	**30,000**	30,000	**190**	180
204	204	**Hacienda Home Centers,** Albuquerque, N.M.	**25**	25	2	**90**	90	**6**	6	**21,000**	21,000	**18,000**	18,000	**280**	280
205	188	**T.H. Rogers Lumber,** Oklahoma City	**25**	25	0	**65**	65	**30**	31	**3,000**	3,000	**15,000**	15,000	**175**	175

*NHCN estimate
[11]Mack Industries' concrete and block division was spun off to form Renker Materials.
[12]Alamo Lumber includes purchase of Victoria Ready Mix Concrete Stores.

RETAIL CENSUS

Rank 1988	Rank 1987	Company	In Millions Sales 1988	Sales 1987	% Change 1987-1988	% DIY 1988	% DIY 1987	Number of Stores 1988	Number of Stores 1987	Showroom sq. ft. Store avg. 1988	Showroom sq. ft. Store avg. 1987	SKUs store Average 1988	SKUs store Average 1987	Employees 1988	Employees 1987
206	196	**Narrowsburg Lumber Co.,** Narrowsburg, N.Y.	**$25**	$25	0	**35**	35	**5**	5	**3,000**	3,000	**NA**	NA	**100**	100
207	193	**Supply One, Inc.,** Rancho Cordova, Calif.	**25**	25	0	**80**	80	**3**	3	**60,000**	60,000	**30,000**	30,000	**170**	170
208	197	**Chris & Dick's,** Salt Lake City	**25**	25	0	**90**	90	**1**	1	**60,000**	60,000	**23,000**	23,000	**180**	180
209	195	**Lumber City, Inc.,** Chesapeake, Va.	**25**	25	0	**10**	10	**2**	2	**4,000**	4,000	**10,000**	10,000	**75**	75
210	201	**Southampton Lumber Co.,** Southampton, N.Y.	**25**	25	0	**15**	15	**5**	5	**6,000**	5,000	**12,000**	12,000	**110**	110
211	199	**Great Central Lumber,** St. Louis	**25**	25	0	**10**	10	**4**	4	**5,500**	5,500	**7,500**	7,500	**135**	135
212	187	**Herrmann Lumber,** Springfield, Mo.	**25**	25	0	**40**	40	**10**	10	**8,000**	8,000	**10,000**	10,000	**160**	150
213	200	**Kaplan Lumber Co.,** St. Peter's, Mo.	**25**	25	0	**1**	1	**2**	2	**10,000**	10,000	**10,000**	10,000	**75**	65
214	203	**Brookhart, Inc.,** Colorado Springs, Colo.	**25**	25	0	**30**	30	**7**	7	**10,000**	10,000	**30,000**	30,000	**100**	100
215	198	**Marvin's, Inc.,** Trussville, Ala.*	**25**	25	0	**50**	50	**8**	8	**22,000**	22,000	**NA**	NA	**350**	350
216	169	**Moodus Lumber Co.,** Moodus, Conn.	**25**	27	− 7	**35**	35	**1**	1	**2,400**	2,400	**10,000**	10,000	**70**	70
217	69	**Eclipse Industries,** St. Louis*[13]	**25**	66	−62	**98**	98	**3**	8	**50,000**	50,000	**20,000**	20,000	**NA**	350
218	235	**Cramer's Building Centers,** E. Stroudsburg, Pa.	**24**	21	14	**70**	70	**7**	7	**8,000**	8,000	**9,000**	9,000	**120**	110
219	230	**East Coast Lumber,** Fort Pierce, Fla.*	**24**	22	9	**30**	30	**6**	6	**NA**	NA	**NA**	NA	**NA**	NA
220	213	**General Builders Supply,** Norwood, Mass.*	**24**	23	4	**10**	10	**1**	1	**5,000**	5,000	**NA**	NA	**50**	50
221	212	**Elk Supply,** Clinton, Okla.	**24**	23	4	**80**	80	**17**	17	**12,000**	12,000	**30,000**	30,000	**125**	127
222	211	**Stripling Blake Lumber,** Austin, Texas	**24**	23	4	**30**	30	**2**	2	**30,000**	30,000	**35,000**	35,000	**170**	165
223	206	**Manis Lumber (Wheeler's),** Rome, Ga.	**24**	24	0	**36**	36	**7**	6	**8,000**	8,000	**10,000**	10,000	**129**	129
224	161	**Babcock Building Supply,** Melbourne, Fla.	**24**	28	−14	**40**	50	**6**	8	**30,000**	30,000	**25,000**	30,000	**220**	250
225	248	**Cederburg Lumber Co.,** Cederburg, Wis.	**23**	20	15	**20**	20	**2**	1	**7,000**	12,000	**11,500**	10,000	**105**	95
226	236	**Lappo Lumber,** Fruitport, Mich.	**23**	21	10	**40**	40	**2**	2	**14,000**	14,000	**20,000**	20,000	**85**	85
227	231	**Grove Lumber,** Ontario, Calif.*	**23**	22	5	**25**	25	**1**	1	**30,000**	30,000	**NA**	NA	**100**	100
228	216	**Douglas Lumber Corp.,** Smithfield, R.I.	**23**	23	0	**20**	20	**1**	1	**3,000**	3,000	**10,000**	10,000	**90**	85
229	217	**Shelly Son Fenstermacher,** Perkasie, Pa.*	**23**	23	0	**30**	30	**3**	3	**6,000**	6,000	**20,000**	15,000	**100**	100
230	264	**Walter & Jackson, Inc.,** Christiana, Pa.	**22**	19	16	**13**	13	**3**	3	**NA**	NA	**4,000**	4,000	**117**	87
231	237	**Whelan's,** Topeka, Kan.*	**22**	21	5	**50**	50	**3**	4	**16,000**	16,000	**NA**	NA	**NA**	NA
232	234	**Robertson Cos.,** Grand Forks, N.D.	**22**	21	5	**67**	67	**22**	21	**3,000**	3,000	**15,000**	15,000	**155**	160
233	277	**Yankee Supply Corp.,** Hollis, N.Y.	**22**	22	0	**30**	30	**3**	3	**2,000**	2,000	**NA**	NA	**60**	60
234	228	**Ruffin & Payne,** Richmond, Va.	**22**	22	0	**10**	10	**1**	1	**NA**	NA	**3,800**	3,800	**140**	140
235	229	**R.P. Lumber Co.,** Edwardsville, Ill.	**22**	22	0	**35**	35	**6**	6	**9,000**	9,000	**18,000**	18,000	**80**	72
236	205	**Daniels-McCray Lumber,** Kansas City, Mo.	**22**	24	− 8	**4**	4	**3**	3	**3,000**	3,000	**9,000**	9,000	**85**	87
237	219	**Lummus Supply,** Atlanta	**22**	23	− 4	**30**	30	**4**	5	**8,000**	8,000	**8,000**	8,000	**58**	60
238	185	**Steenbeke & Sons,** Boscawen, N.H.	**21**	25	−15	**25**	25	**6**	5	**15,000**	15,000	**20,000**	20,000	**130**	140
239	263	**Ellsworth Builders Supply,** Ellsworth, Maine	**21**	19	11	**35**	35	**8**	8	**NA**	NA	**4,500**	4,500	**100**	90
240	261	**Hughes Lumber,** Tulsa, Okla.*	**21**	19	11	**75**	75	**10**	10	**12,000**	15,000	**9,500**	9,500	**180**	160
241	246	**Kuesters, Inc.,** Evansville, Ind.	**21**	20	5	**90**	90	**8**	8	**15,000**	15,000	**25,000**	25,000	**200**	200
242	251	**Matt's Cash & Carry Building Mats.,** Pharr, Texas	**21**	20	5	**50**	50	**2**	2	**21,000**	21,000	**NA**	NA	**153**	129
243	243	**W.T. Harvey Lumber Co.,** Columbus, Ga.	**21**	20	5	**10**	10	**3**	3	**10,000**	10,000	**NA**	NA	**150**	150
244	240	**Bailey Lumber,** Bluefield, W. Va.	**21**	20	5	**45**	45	**12**	15	**3,500**	3,500	**10,500**	10,000	**190**	220
245	256	**Mayfair Lumber,** Chicago*	**21**	20	5	**5**	5	**1**	1	**NA**	NA	**NA**	NA	**NA**	NA
246	222	**Stine Lumber,** Sulfur, La.	**21**	22	− 5	**60**	60	**4**	4	**14,000**	14,000	**8,000**	8,000	**180**	140
247	223	**Conklin & Strong,** Warwick, N.Y.	**21**	22	− 5	**65**	75	**7**	7	**4,000**	4,000	**2,800**	2,800	**115**	110
248	226	**Friend Building Centers,** Lowell, Mass.	**21**	22	− 7	**50**	50	**2**	2	**8,000**	8,000	**10,000**	10,000	**115**	130
249	274	**Olshan Lumber,** Houston	**20**	17	18	**65**	60	**2**	2	**30,000**	30,000	**15,000**	15,000	**200**	200
250	275	**Central Valley Builders,** St. Helena, Calif.	**20**	17	18	**35**	35	**2**	2	**13,500**	13,500	**17,000**	17,000	**140**	140
251	272	**Bomgaars Supply,** Sioux City, Iowa	**20**	18	13	**50**	50	**11**	11	**25,000**	25,000	**28,000**	28,000	**200**	200
252	269	**Buena Park Lumber,** Buena Park, Calif.	**20**	18	11	**25**	22	**1**	1	**26,000**	25,000	**29,000**	32,000	**100**	100
253	270	**Geiger Lumber & Supply Co.,** Tallman, N.Y.	**20**	18	11	**15**	15	**1**	1	**3,000**	3,000	**NA**	NA	**70**	70
254	271	**Al Meier's Building Centers Inc.,** Tacoma, Wash.	**20**	18	11	**50**	50	**6**	6	**10,000**	10,000	**15,000**	15,000	**90**	90
255	268	**Economy Hardware & Lumber,** Denver	**20**	18	11	**40**	50	**3**	3	**10,000**	10,000	**13,000**	13,000	**130**	130
256	265	**Elliott Hardware,** Elm Grove, Wis.	**20**	19	5	**90**	90	**3**	3	**32,000**	32,000	**35,000**	35,000	**260**	260
257	245	**Kleet Lumber Co.,** Huntington, N.Y.	**20**	20	0	**7**	7	**1**	1	**3,600**	3,600	**NA**	NA	**47**	65
258	247	**N.T. Fox Co.,** Portland, Maine	**20**	20	0	**25**	40	**4**	4	**2,500**	2,500	**6,000**	5,000	**80**	80
259	241	**A.J. Smith Co.,** Nashville, Tenn.*	**20**	20	0	**15**	15	**5**	5	**1,000**	1,000	**3,000**	3,000	**100**	100
260	242	**Bloedorn Lumber Co.,** Torrington, Wyo.	**20**	20	0	**30**	30	**19**	17	**7,000**	7,000	**NA**	NA	**150**	150
261	257	**Wilson Lumber Co.,** Huntsville, Ala.	**20**	20	0	**25**	25	**2**	2	**10,000**	10,000	**14,000**	14,000	**175**	175
262	250	**Dykes Lumber Co.,** Union City, N.J.	**20**	20	0	**10**	10	**6**	6	**NA**	NA	**NA**	NA	**100**	100
263	255	**The Chicago Lumber Co. of Omaha,** Omaha	**20**	20	0	**25**	25	**16**	16	**NA**	NA	**NA**	NA	**140**	140
264	252	**Somerville Lumber Co.,** Bridgewater, N.J.	**20**	20	0	**25**	25	**1**	1	**17,000**	17,000	**15,000**	15,000	**68**	NA
265	254	**The Estate of George Snyder,** Hatfield, Pa.	**20**	20	0	**93**	93	**1**	1	**35,000**	35,000	**33,000**	33,000	**50**	50
266	260	**A.L. Kilgo Co.,** Honolulu*	**20**	20	0	**35**	35	**1**	1	**300,000**	300,000	**NA**	NA	**160**	160
267	253	**P.E. Dolan Lumber,** Pinole, Calif.*	**20**	20	0	**50**	50	**3**	2	**NA**	NA	**NA**	NA	**NA**	NA
268	266	**Snow Lumber & Home Decorating,** High Point, N.C.	**19**	19	0	**30**	30	**2**	3	**8,000**	6,000	**12,000**	10,500	**135**	135
269	239	**G.V. Moore Lumber Co.,** Ayer, Mass.	**19**	21	− 7	**42**	42	**6**	6	**30,000**	27,000	**22,000**	22,000	**150**	150
270	194	**Economy Builders Supply, Inc.,** Sandy, Utah	**19**	25	−24	**40**	50	**3**	3	**16,000**	16,000	**5,000**	4,000	**165**	200
271	287	**'R' Lumber Center,** Edgewater, Md.	**18**	15	20	**15**	15	**1**	1	**1,500**	1,500	**4,500**	4,500	**85**	75
272	281	**McLendon Hardware, Inc.,** Renton, Wash.	**18**	16	13	**85**	85	**3**	2	**45,000**	45,000	**60,000**	60,000	**100**	100
273	284	**H.G. Page & Sons, Inc.,** Poughkeepsie, N.Y.	**18**	16	13	**20**	20	**1**	1	**21,000**	21,000	**NA**	NA	**100**	120
274	277	**Big L Corp.,** Sheridan, Mich.	**18**	17	8	**50**	50	**5**	5	**60,000**	60,000	**7,600**	7,600	**74**	74
275	276	**Simon Stores,** Walnut Creek, Calif.	**18**	17	6	**100**	100	**3**	3	**50,000**	50,000	**NA**	NA	**350**	350

*NHCN estimate

[13]Eclipse Industries closed all its stores and liquidated early 1989.

RETAIL CENSUS

Rank 1988	Rank 1987	Company	In Millions Sales 1988	Sales 1987	% Change 1987-1988	% DIY 1988	% DIY 1987	Number of Stores 1988	Number of Stores 1987	Showroom sq. ft. Store avg. 1988	Showroom sq. ft. Store avg. 1987	SKUs store Average 1988	SKUs store Average 1987	Employees 1988	Employees 1987
276	273	**Matthews & Fields Lumber Co.,** Rochester, N.Y.	$18	$18	3	10	10	2	2	2,000	2,000	NA	NA	100	100
277	267	**Crissey-Fowler Lumber,** Colorado Springs, Colo.*	18	18	0	15	15	1	1	30,000	30,000	18,000	8,500	120	130
278	262	**Dooley's Hardware,** Long Beach, Calif.	18	19	− 5	33	33	1	1	22,500	22,500	NA	NA	190	180
279	259	**Aaron's Lumber Co.,** Bakersfield, Calif.	18	20	−10	15	15	2	3	60,000	50,000	12,000	12,000	110	150
280	280	**Chopp & Co.,** Brandywine, Md.	17	16	8	5	5	1	1	NA	NA	850	850	160	160
281	289	**American Home & Hardware,** Elkton, Md.	17	15	13	45	45	2	1	23,000	23,000	39,000	39,000	110	85
282	285	**Higginbotham Bartlett Co.,** Lubbock, Texas	17	16	10	40	40	38	37	30,000	30,000	NA	NA	150	150
283	283	**Home of Economy, Inc.,** Grand Forks, N.D.	16	16	0	50	50	5	5	40,000	40,000	NA	NA	200	200
284	278	**Lumber Investors, Inc.,** Alexandria, La. *[14]	16	16	0	30	28	4	4	10,000	10,000	10,000	10,000	81	80
285	279	**United Building Supply,** Anchorage, Alaska	16	16	0	35	35	4	4	10,000	10,000	19,000	19,000	75	75
286	224	**Woodward Lumber,** Los Cruces, N.M.	16	22	−27	4	2	3	3	3,200	3,200	5,600	5,600	85	150
287	294	**Bender Lumber,** Bloomington, Ind.	15	13	15	40	40	5	5	NA	NA	NA	NA	280	240
288	288	**Degol Brothers Lumber Co.,** Gallitzin, Pa.	15	15	0	45	45	5	5	5,000	5,000	NA	NA	100	85
289	292	**West Elizabeth Lumber Co.,** Elizabeth, Pa.	15	15	0	5	5	5	6	5,000	5,000	NA	NA	80	80
290	286	**Sackett & Peters,** Whittier, Calif.	15	15	0	100	100	1	1	120,000	120,000	37,000	37,000	95	120
291	291	**H.E. Leonhardt Lumber,** Oklahoma City	15	15	0	40	40	3	3	25,000	25,000	22,000	22,000	120	120
292	290	**Elmsford Building Materials,** Elmsford, N.Y.	15	15	0	10	10	1	1	3,200	3,200	1,450	1,450	67	67
293	282	**Eastern Lumber,** Amesbury, Mass.	15	16	− 6	20	20	1	1	30,000	30,000	25,000	25,000	60	60
294	293	**Serv-U Hardware Home Centers,** Springfield, Mass.	14	13	8	75	75	9	9	7,500	7,500	15,000	15,000	NA	NA
295	296	**Elliott's Hardware,** Dallas	13	12	5	60	60	1	1	54,000	54,000	55,000	55,000	120	120
296	295	**Gee Lumber,** Chicago*	13	13	0	70	70	7	7	20,000	20,000	20,000	20,000	NA	NA
297	300	**Earl Latsha Lumber Co.,** Harrisburg, Pa.	11	10	15	20	15	1	1	20,000	20,000	6,500	6,100	56	56
298	299	**Housatonic Lumber,** Derby, Conn.	11	10	10	50	50	1	1	14,000	14,000	15,000	15,000	95	105
299	297	**Santa Barbara Home Improvement,** Santa Barbara, Calif.	11	11	0	60	60	2	2	40,000	40,000	NA	NA	75	75
300	298	**Armstrong Building Materials,** Los Angeles	11	11	0	100	100	1	1	150	150	NA	NA	100	100
		TOP 10 TOTALS AND AVERAGES	13,853	12,258	13	72	71	1,802	1,768	46,597	45,848	19,850	19,050	103,800	90,761
		TOP 25 TOTALS AND AVERAGES	20,005	18,185	10	75	74	3,056	2,995	40,527	39,909	21,600	21,088	157,052	143,689
		TOP 50 TOTALS AND AVERAGES	23,380	21,264	10	71	71	3,838	3,750	31,793	30,775	20,380	19,984	181,613	167,335
		TOP 100 TOTALS AND AVERAGES	26,551	24,251	9	68	67	4,300	4,199	23,624	23,004	17,385	17,147	200,366	185,999
		TOP 150 TOTALS AND AVERAGES	28,418	26,061	9	66	65	4,652	4,546	19,117	18,734	15,637	15,428	210,342	195,819
		TOP 200 TOTALS AND AVERAGES	29,810	27,407	9	64	64	4,962	4,827	17,734	17,454	15,159	14,956	218,364	203,807
		TOP 250 TOTALS AND AVERAGES	30,965	28,579	8	63	62	5,221	5,095	17,107	16,911	14,483	14,313	224,656	210,333
		TOP 300 TOTALS AND AVERAGES	31,828	29,428	8	63	62	5,435	5,306	18,549	18,333	14,081	13,938	230,364	216,095
		Total U.S. Home Center/Bldg Mat'l Store Sales**	63,132	57,067	11										
		Total U.S. Hardware Store Sales**	14,031	13,154	7										
		Total U.S. Home Improvement Retail Sales**	77,163	71,063	9										

	SUBSIDIARIES 1988	In Millions Sales 1988	Sales 1987	% Change 1987-1988	%DIY 1988	%DIY 1987	Number of Stores 1988	Number of Stores 1987	Showroom sq. ft. Store avg. 1988	Showroom sq. ft. Store avg. 1987	SKUs store Average 1988	SKUs store Average 1987	Employees 1988	Employees 1987
Lanoga	**Lumbermen's,** Olympia, Wash.	72	72	0	48	48	13	16	10,000	10,000	13,500	13,500	390	440
	Spenard's, Anchorage, Alaska	70	111	−37	50	50	9	9	9,000	9,000	21,000	21,000	300	350
	United Building Centers, Winona, Minn.	185	140	32	50	50	102	102	7,000	7,000	12,000	12,000	1,400	1,200
Hechinger														
	Home Quarter's Warehouse, Virginia Beach, Va.*	123	95	29	95	95	11	9	85,000	85,000	25,000	25,000	800	800
	Triangle Building Centers, Quakerstown, Pa.	65	60	8	75	75	6	5	48,000	40,000	20,000	20,000	650	500

*NHCN estimate
**Source: Dept. of Commerce
Bureau of the Census
[14]Lumber Investors was formerly known as Martin Home Centers.

Census Methodology

This year, in an effort to better assess the performance of smaller, independent operators, *National Home Center News* has expanded its Annual Census to include the top 300 companies in the home center industry.

The figures for sales, store square footage, stockkeeping units and employees were obtained by *NHCN*'s staff from officials of the respective companies, generally from that company's president, general manager, controller or vp-finance.

When estimates were made, they were based on the reporter's knowledge of that company, how its competitors had performed, and what that company had done the previous year. In devising these estimates, *NHCN* attempted to be as conservative as possible.

In all cases, the companies were ranked in each year according to their sales, with a secondary ranking criterion being the percentage increase in sales from year to year (highest percentage first).

Sales were rounded to the nearest million dollars. Square footage was rounded to the nearest foot. And all percentages were rounded to the nearest whole number.

NHCN this year has also recalculated the DIY percentages for the respective industry segments, and the ratio is in direct correlation with the dollar volume the companies in each group got from retail transactions, as opposed to totaling up their respective DIY percentages and taking an average.

In nearly all cases, the numbers given are for the calendar year.

Readers who notice some discrepancies from what *NHCN* printed last year should be alerted to the fact that many companies chose to update the sales figures they gave to this newspaper last year. With so many private companies operating in the industry today, *NHCN*'s Annual Census has striven to reflect most accurately the information the companies on the chart are reporting for the most current year.

Alphabetical listing of the Industry Top 300

Company & Rank	
84 Lumber	8
Aaron's Lumber Co.	279
ACO	45
Al Meier's Building Centers	254
Alamo Lumber	184
Albert R. Lavalley	191
Alexander Lumber	41
All American Home Center	166
American Home & Hardware	281
Anderson Lumber	48
Armstrong Building Materials	300
A.C. Houston Lumber	57
A.H. Angerstein	203
A.J. Smith Co.	259
A.L. Kilgo Co.	266
Babbitt Brothers	175
Babcock Building Supply	224
Bailey Lumber	244
Barr Lumber	74
Bauer Enterprises	121
Bellevue Builders Supply	80
Bender Lumber	287
Big Bear	164
Big Blue Stores	181
Big Creek Lumber	140
Big L Corp.	274
Big Tin Barn	138
Bison Building Materials	97
Bloedorn Lumber Co.	260
BMC West	31
Bomgaars Supply	251
Brookhart, Inc.	214
Brown-Graves	52
Buena Park Lumber	252
Builderama	152
Builders Emporium	10
Builders General Supply	125
Builders Square	4
Builders Supply	141
Builderway	54
Busy Beaver	63
C & C Building Supplies	193
Calcasieu Lumber	185
Carter-Jones Lumber	24
Causeway Lumber	104
Cederburg Lumber	225
Central Hardware	22
Central Michigan Lumber	85
Central Valley Builders Supply	250
Century Supply Co.	162
Champion Lumber	153
Chandler Lumber	65
Channel Home Centers	11
Chase-Pitkin	59
Chopp & Co.	280
Chris & Dick's	208
Church's Lumber	66
City Mill	107
Cleveland Builders Supply	180
Cofer Brothers	189
Conklin & Strong	247
Consolidated Lumber	192
Continental Lumber	128
Copeland Lumber Yards	38
Courtesy Home Centers	68
Cox Lumber	79
Cramer's Building Centers	218
Crissey-Fowler Lumber	277
Curtis Lumber	81
Daniels-McCray Lumber	236
Davidson's Industry	131
Degol Brothers Lumber	288
Diamond Lumber	23
Diamond Point Lumber	93
Dixieline	35
Dooley's Hardware	278
Douglas Lumber	228
Dykes Lumber	262
Earl Latsha Lumber	297
East Coast Lumber, E. Hampstead, N.H.	84
East Coast Lumber, Ft. Pierce, Fla.	219
Eastern Lumber	293
Eclipse Industries	217
Economy Builders Supply	270
Economy Hardware & Lumber	255
Edward Hines Lumber	43
Elk Supply	221
Elliott Hardware, Elm Grove, Wis	256
Elliott's Hardware, Dallas	295
Ellsworth Builders Supply	239
Elmsford Building Materials	292
Erb Lumber	19
Ernst Home & Nursery	25
E.C. Barton	83
Fagen's	67
Fairfax Lumber & Millwork	195
Fairfield Lumber	122
Feldman Lumber	94
Fingerle Lumber	133
Fox Lumber	95
Foxworth-Galbraith	42
Friedman Bros. Lumber	167
Friend Building Centers	248
Frierson Building Supply	188
Fullerton Lumber	143
F.E. Wheaton & Co.	202
Ganahl Lumber	71
Gee Lumber	296
Geiger Lumber & Supply Co.	253
General Builders Supply	220
General Building Products	61
Gerrity Building Centers	29
Golden State Lumber	163
Goodman's Lumber	91
Great Central Lumber	211
Great Plains Supply	115
Grossman's	6
Grove Lumber	227
Gulf Stream Lumber	200
Guy C. Lee Building Materials	179
G.V. Moore Lumber	269
Hacienda Home Centers	204
Haddonfield Lumber	75
Hancock Lumber	108
Handy Andy	17
Hayward Lumber	111
Hechinger	7
Henry Bacon Building Materials	72
Herndon Lumber & Millwork	187
Herrmann Lumber	212
Higginbotham Bartlett Co.	282
Hill-Behan Lumber	49
Hinckley Home Centers	154
Holmes Lumber	77
Home of Economy	283
HomeClub	9
Housatonic Lumber	298
Hughes Lumber	240
H&E DIY Centers	158
H.E. Leonhardt Lumber	291
H.G. Page & Sons	273
International Paper Co.	165
Jaeger Lumber	159
James Lumber	60
J.C. Snavely & Sons	146
J.T.'s Home Centers	99
Kaplan Lumber	213
Kempsville Lumber	139
Kesseli & Morse Co.	171
Kleet Lumber	257
Kogel Giant Building Supply	82
Kuesters	241
Lampert Lumber	50
Lampert Yards	105
Lanoga	18
Lappo Lumber	226
Latham Home Center	157
LaValley Building Supply	126
Learned Lumber	174
Lester Group	144
Levy's Building Centers	198
Lezzer Lumber	98
Lloyd Home & Building Centers	40
Lonestar Hardware	102
Lowe's	1
Lumber City	209
Lumber Headquarters	170
Lumber Investors	284
Lummus Supply	237
Lyman Lumber	46
Mack Industries	177
Manis Lumber (Wheeler's)	223
Marvin's, Inc.	215
Masten Lumber	120
Matthews & Fields Lumber	276
Matt's Cash & Carry	242
Mayfair Lumber	245
McCoy's	28
McLendon Hardware	272
Mead Clark Lumber	194
Meeks Building Centers	36
Menard's	13
Midland Lumber & Supply	160
Midpac Lumber	182
Millard Lumber	161
Miron Building Products	90
Moodus Lumber	216
Moser Lumber	127
Moynihan North Reading Lumber	147
Mr. Goodbuys	30
Mutual Materials	150
M.G.Building Materials	88
M.L.Claster & Sons	103
Narrowsburg Lumber	206
Nassau Suffolk Lumber	100
National Home Center	70
National Lumber, Fountain Valley, Calif.	33
National Lumber, Newton, Mass.	117
Neiman-Reed's Lumber City	78
NHD Stores	86
Nickerson Lumber	96
Nonantum Lumber	123
N.T. Fox Co.	8
Olshan Lumber	249
Orchard Supply Hardware	27
O'Malley's	51
O. B. Thompson	137
Panning Lumber	176
Parr Lumber	89
Pay 'N Pak	16
Payless Cashways	3
Pease Co.	136
Pergament Home Centers	21
Peter Lumber	148
Piedmont Lumber	130
Pine Tree Lumber	119
Plywood Minnesota	114
Ply-Marts	132
P.E. Dolan Lumber	267
P.F. O'Connor	39
R Lumber Center	271
Raymond Building Supply	142
Richardson Industries	172
Rickel	15
Ridge Lumber	129
Ridout Lumber	197
Rigg's Supply	110
Riverhead Building Supply	116
Riverside Millwork	123
Robertson Cos.	232
Rocky's Home Center	186
Roper Bros. Lumber	151
Ruffin & Payne	234
R.P. Lumber	235
Sackett & Peters	290
San Lorenzo Lumber	109
Santa Barbara Home Improvement	299
Scherer Bros	64
Scotty's	14
Seacoast/Pelican Building Centers	62
Seigle's Home & Building Centers	47
Serv-U Hardware Home Centers	294
Shaw Lumber	135
Shelly Enterprise	156
Shelly Son Fenstermacher	229
Simon Stores	275
Sinclair Lumber	134
Snow Lumber & Home Decorating	268
Somerville Lumber, Bridgewater, N.J.	264
Southampton Lumber	210
Spahn & Rose Lumber	145
Stacy Building Materials	169
Stambaugh-Thompson	56
Standard Supply & Lumber	106
Star Lumber	101
Steenbeke & Sons	238
Stine Lumber	246
Stock Lumber	113
Stottlemyer & Shoemaker Lumber	201
Stripling Blake Lumber	222
Strober Organization	34
Supply One	207
Sutherland	12
TAPJAC Co.	173
Terry Companies	32
The Andersons	37
The Chicago Lumber Co. of Omaha	263
The Country Lumber Co.	199
The Estate of George Snyder	265
The Home Depot	2
The Level Line	149
The Paty Co.	92
Thompson Building Materials	58
Thompson Lumber	155
Thurman Industries	190
T.H. Rogers Lumber	205
United Building Supply	285
Valu Home Centers	53
Wallich Lumber	178
Walter & Jackson,Inc.	230
Webber Lumber & Supply	73
West Building Materials	20
West Elizabeth Lumber	289
Western Home Center	124
Western Lumber	69
Westlake Hardware	44
Whelan's	231
Wickes Lumber	5
William M. Young	112
Williams Brothers	76
Wilson Lumber	261
Wolf Organization	55
Wolohan Lumber	26
Woodhaven Lumber	118
Woodward Lumber	286
W.H. Conyngham & Co.	196
W.T. Harvey Lumber Co.	243
Yaeger & Kirk	168
Yankee Supply	233
Yardbirds of California	87

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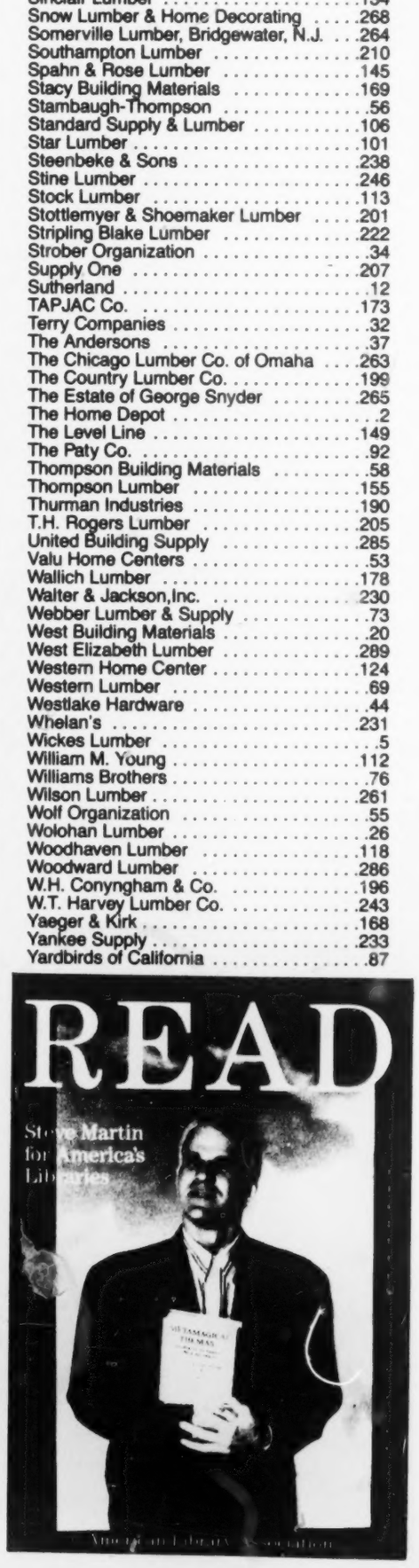


RETAIL CENSUS

Dealers focus on productivity as industry expands

The industry's chains and independents compete in many ways, not only in the marketplace but also on a more hidden battlefield: the ledger sheet that weighs the performance of employees and stores.

The accompanying charts reveal that while the big chains dominate a number of these areas, growth was not their sole preserve, as a number of independent building materials operators more than kept pace with their larger competitors in terms of sales gains last year.

10 chains add 6.8M sq. ft.

That hasn't been easy, given the fact that the overstoring in the industry was exacerbated by the expansion among many retailers. Excluding store additions through acquisition—as in the case of Hechinger's purchase of Triangle Building Centers and Erb Lumber's of Braver Lumber—there were more than 6.8 million square feet of retail showroom space added by the dealers ranking among the top 10 in net store increases.

Leading the way was The Home Depot, which tacked on another 1.81 million square feet. The other warehouse chains—Builders Square and Home Club, which added 19 and 10 stores respectively—each expanded their market coverage by more than 1 million square feet.

There were also some surprises: McCoy's Building Centers has arisen as a major force in the Southwest, and its five new stores last year, two of which were in new markets in New Mexico, added 90,000 square feet to the market. And Hechinger increased its total square footage by nearly 600,000 square feet, which will probably pale beside tallies when the Landover, Md.-based chain starts rolling out new store conversions of some of the 33 Bradlees units it bought last year.

Small cos. gain in sales

The 10 largest home center chains now own a bigger chunk of the total market—around 18 percent of $77 billion last year—than ever before. And while a number of these companies enjoyed solid sales growth in 1988, there were also remarkable gains by mid-sized chains and independent commodities dealers.

When ranked by percentage sales gains, seven of the 10 companies listed are mostly contractor-oriented lumberyard operators. For example, the 44 percent sales growth of the $65 million Henry Bacon was accomplished despite stiff competition from Pay 'N Pak, Ernst and newcomers HomeClub and Builders Square, and reflects the bustling Pacific Northwest market.

Orchard Supply, whose 31 stores were recently purchased from Wickes Cos. by its management, has fewer competitors but it nonetheless boosted its sales to an estimated $250 million.

Sales per employee decline

The success of Orchard and other companies over the next few years will hinge not so much on their opening new stores as it will on getting greater productivity out of what they've already got.

And to that end, the industry's top 25 chains in sales have performed variably.

This is especially true when one calculates sales per employee for the two years. Factoring in that not every store was opened for a full year (which accounts for the drop in employee productivity at the warehouse chains), there still remains evidence that some companies could be doing a much better job in this area.

In fact, it appears that the commodities-oriented chains—84 Lumber, Diamond Lumber, Erb Lumber, Sutherland Lumber—have excelled by this criteria, most probably because they require far fewer employees than do the retail-oriented operators such as Pergament, Builders Emporium or Central Hardware.

LEADING PERCENT SALES GAINERS

Rank	Company	% Change Sales 1987-1988
1	**Shelly Enterprise,** Souderton, Pa.	50
2	**Henry Bacon Building Materials,** Bellevue, Wash.	44
3	**Hechinger,** Landover, Md.	41
4	**The Home Depot,** Atlanta	38
5	**Piedmont Lumber,** Pleasant Hill, Calif.	35
6	**A.C. Houston Lumber,** Wichita, Kan.	33
7	**Mr. Goodbuys,** Philadelphia	30
8	**Barr Lumber,** Los Alamitos, Calif.	29
9	**Davidson's Industry,** Southport, Ind.	25
10	**Fairfax Lumber & Millwork,** Springfield, Va.	25
—	**Mead Clark Lumber,** Santa Rosa, Calif.	25
—	**Orchard Supply Hardware,** San Jose, Calif.*	25

BIGGEST STORE COUNT GAINERS

Rank	Company	Number Stores 1988	1987	Net Increase
1	**The Home Depot,** Atlanta	96	75	21
2	**Scotty's,** Winter Haven, Fla.	160	141	19
3	**Builders Square,** San Antonio, Texas	133	118	15
4	**Hechinger,** Landover, Md.	92	79	13
5	**HomeClub,** Fullerton, Calif.	46	36	10
6	**84 Lumber,** Eighty-Four, Pa.	369	361	8
7	**ACO,** Farmington Hills, Mich.	72	66	6
8	**Erb Lumber,** Birmingham, Mich.	50	44	6
9	**McCoy's,** San Marcos, Texas	86	80	6
10	**Handy Andy,** Schaumburg, Ill.	49	44	5
—	**Mr. Goodbuys,** Philadelphia	17	12	5
—	**Pay 'N Pak,** Kent, Wash.	105	100	5

Productivity For the Top 25 Chains

Rank	Company	Sales per Sq. Ft. 1988	1987	$ Mil. Sales per Store 1988	1987	Sales per Employee 1988	1987
1	**Lowe's Cos.,** North Wilkesboro, N.C.	**$496.96**	$511.13	**8.5**	8.3	**$170,000**	$165,300
2	**The Home Depot,** Atlanta	**242.25**	235.77	**20.8**	19.3	**153,846**	179,012
3	**Payless Cashways,** Kansas City, Mo.	**360.87**	336.18	**9.7**	9.1	**126,667**	118,000
4	**Builders Square,** San Antonio, Texas	**159.77**	148.31	**12.8**	11.9	**113,333**	127,273
5	**Wickes Lumber,** Vernon Hills, Ill.	**634.92**	595.24	**5.7**	5.4	**160,000**	160,000
6	**Grossman's,** Braintree, Mass.	**145.66**	142.46	**4.6**	4.2	**140,988**	139,870
7	**Hechinger,** Landover, Md.	**184.78**	152.95	**11.1**	9.2	**72,857**	72,500
8	**84 Lumber,** Eighty-Four, Pa.	**121.95**	113.71	**2.4**	2.3	**281,250**	182,444
9	**HomeClub,** Fullerton, Calif.*	**168.48**	180.56	**16.8**	18.1	**129,167**	130,000
10	**Builders Emporium,** Irvine, Calif.*	**168.07**	163.10	**5.9**	5.7	**97,222**	100,694
11	**Channel Home Centers,** Whippany, N.J.	**93.17**	89.51	**4.2**	4.0	**79,412**	76,316
12	**Sutherland,** Kansas City, Mo.*	**352.94**	347.75	**7.8**	7.7	**227,586**	218,966
13	**Menard's,** Eau Claire, Wis.	**221.43**	221.80	**15.5**	15.5	**187,879**	178,788
14	**Scotty's,** Winter Haven, Fla.	**70.26**	76.42	**3.4**	3.7	**78,686**	83,770
15	**Rickel,** South Plainfield, N.J.	**234.83**	226.43	**9.9**	9.5	**86,545**	82,115
16	**Pay 'N Pak,** Kent, Wash.*	**130.07**	132.20	**4.4**	4.3	**201,304**	186,522
17	**Handy Andy,** Schaumburg, Ill.*	**111.04**	113.64	**7.6**	7.4	**82,222**	81,250
18	**Lanoga,** Redmond, Wash.	**376.73**	363.33	**2.6**	2.5	**156,459**	161,500
19	**Erb Lumber,** Birmingham, Mich.	**525.00**	569.17	**6.3**	6.5	**190,909**	205,714
20	**West Building Materials,** Atlanta	**98.04**	99.09	**4.4**	4.2	**100,000**	88,438
21	**Pergament Home Centers,** Melville, N.Y.	**187.50**	208.33	**7.5**	8.3	**100,000**	100,000
22	**Central Hardware,** Bridgeton, Mo.	**111.34**	131.87	**7.2**	8.6	**78,571**	93,750
23	**Diamond Lumber,** Dallas	**584.33**	506.63	**4.3**	3.7	**182,000**	155,333
24	**Carter-Jones Lumber,** Kent, Ohio	**222.60**	207.19	**1.8**	1.7	**130,000**	121,000
25	**Ernst Home & Nursery,** Seattle	**107.93**	107.93	**3.6**	3.6	**118,182**	98,113

Source: Company records, NHCN research

*NHCN estimate

TOP CHAINS BY STORE COUNT

Rank	Company	Number of Stores
1	**84 Lumber,** Eighty-Four, Pa.	369
2	**Lowe's Cos.,** North Wilkesboro, N.C.	296
3	**Grossman's,** Braintree, Mass.	246
4	**Wickes Lumber,** Vernon Hills, Ill.	210
5	**Payless Cashways,** Kansas City, Mo.	195
6	**Channel Home Centers,** Whippany, N.J.	161
7	**Scotty's,** Winter Haven, Fla.	160
8	**Carter-Jones Lumber,** Kent, Ohio	146
9	**Builders Square,** San Antonio, Texas	133
10	**Lanoga,** Redmond, Wash.	124

RETAIL CENSUS

Stock analysts express cautious enthusiasm about industry performance

By Tim O'Malley

NATIONAL REPORT — Securities analysts view the home improvement industry not in terms of merchandising and customer service, but by profit and loss statements and quarterly earnings. And by those criteria, they saw 1988 as a year in which the realities of retailing finally caught up with the public companies.

Michael B. Exstein, a retail analyst with Shearson Lehman Hutton, said a "price sensitivity" among consumers emerged prominently last year. Consequently, as he expected, margins on products were either lowered or will eventually be lowered industrywide.

"It's a process that's true of all retailing, and this industry is no different," he said.

This turn of events could set the stage for massive changes over the next four years, according to Robert Curran of Merrill Lynch. He said lowering margins, among other things, will cause smaller chains to suffer.

"You're going to see the industry dominated by fewer companies," he said. "Overleveraged companies without a lot of capital will be finished."

Exstein said many of what he called "traditional" home centers—Lowe's, Hechinger, Scotty's and Grossman's, for example—had, for them, subpar years, while the warehouse operators generally did better.

For example, Home Depot reeled in record profits in 1988, and for the first time in its six-year history, Builders Square turned a profit.

Exstein believes the "warehouse" concept used by Home Depot and Builders Square will become the norm of the industry. Such stores have greater square footage, and can stock larger quantities of items.

Skip Helm, a partner with William Blair in Chicago, defended Hechinger's performance in 1988—which has been knocked about by a number of Wall Street observers—saying the company was busy acquiring Home Quarters and Triangle Building Centers, as well as 47 northeastern Bradlees units, and that its management was temporarily diverted.

"Hechinger is a survivor; they'll be here a long time," he said, adding that their store design will also endure. "Let's face it, not everyone prefers shopping in a warehouse."

Curran of Merrill Lynch agrees. "They've experimented with the larger store and it hasn't worked for them," he said. "If they want to go back to it, they can with the acquisition of Home Quarters, which is larger."

Helm said he was surprised at the positive performance turned in by Builders Square.

"I found it hard to believe in the beginning of the year that they would make money," he said.

> "You're going to see the industry dominated by fewer companies. Overleveraged companies without a lot of capital will be finished."
>
> —**Robert Curran,** *retail analyst, Merrill Lynch*

Scotty's defends turf

There is wide agreement among securities analysts that the Winter Haven, Fla.-based Scotty's suffered in 1988 partly because it was getting hammered in Florida by the warehouse operators. Helm referred to Scotty's strategy of trying to meet those chains on their own terms—price—as "almost suicidal."

But David Bolotsky, an analyst at Goldman Sachs, noted that Scotty's, with most of its 162 stores in Florida, had no choice but to defend its home turf. Having learned a hard lesson there, however, he suggested that Scotty's might do well courting commercial accounts (which made up 12 percent of Scotty's business a year ago) or other specialized business in the future.

At Lowe's, the industry's largest chain and in some ways its barometer, net income was up 13 percent to $69 million in 1988. Helm said he had expected the company to do better but believes more new home construction was needed for that to have happened.

Curran said Lowe's "came in pretty close to what we expected."

No one was surprised at the sterling year turned in by the 96-unit Home Depot, although some had expected the October 1987 stock market crash to keep the company's profits modest.

"It just didn't happen," said Bolotsky. "They exceeded the consensus of expectation in every way."

Home Depot's average store generated $28 million in revenues in 1988, not including its stores in Texas. The company also reports that its two northeast stores, opened last year in New Jersey and Connecticut, are already turning a profit.

In comparison, Grossman's 246 outlets, down from 258 stores in 1987, sold an average of $4.5 million each. Overall, the company's income plummeted from $20 million in 1987 to $13 million last year.

Earnings for another big competitor in the industry, Sears, were down 11 percent in 1988. Each of the analysts believes, however, that the retail giant's new focus on consumers—including everyday low pricing and "brand central"— could give competitors headaches if executed properly.

Meanwhile, Bolotsky said one trend begun late last year—rising interest rates—could spell disaster for the contractor supplier business before this year is out.

At the same time, he said, it will "create some terrific buying opportunities" for retailers.

Selected Performance Comparisons For the Leading Public Companies

	Sales ($ mil.)			Net income ($ mil.)		
	1988	1987	1979	1988	1987	1979
Lowe's	$2,516	$2,440	$905	$ 69	$61	$25.0
Home Depot	1,999	1,450	7	77	54	(1.0)
Payless Cashways	1,900	1,450	363	141***	28*	42.0
Grossman's	1,100	1,000	632**	13	18	NA
Hechinger	1,020	725	147	49	42	5.0
Scotty's	551	515	201	18	10	8.0
Wolohan Lumber	258	229	137	11	9	0.4
National Lumber	152	159	57	(5)	0.23	NA
Strober Organization	140	105	NA	4	5	NA
NHD Stores	51	36	33	1	1	0.13

*after $13.6 million charge
**As the retail division of Evans Products
***Earnings before interest, taxes and depreciation

	Earnings Per share			Stores		
	1988	1987	1979	1988	1987	1979
Lowe's	$1.83	$1.54	$0.77	296	295	209
Home Depot	1.50	1.13	0.03	96	75	3
Payless Cashways	NA	0.81	1.22	195	194	69
Grossman's	0.50	0.79	NA	246	258	328*
Hechinger	1.30	1.18	0.24	92	81	26
Scotty's	1.19	0.71	0.88	162	141	71
Wolohan Lumber	1.92	1.53	0.67	45	42	34
National Lumber	(0.82)	0.04	NA	20	19	9
Strober Organization	0.64	0.87	NA	12	12	NA
NHD Stores	0.79	0.70	0.20	33	27	18

*includes Lindsley stores

	Employees			Return on Equity (%)		
	1988	1987	1979	1988	1987	1979
Lowe's	14,774	14,761	5,804	11.8%	11.3%	17.7%
Home Depot	13,000	9,100	200	21.6	21.1	NA
Payless Cashways	14,000	15,000	3,600	NA	12.7	NA
Grossman's	8,100	7,700	NA	13.0	20.0	NA
Hechinger	14,200	10,500	2,425	14.2	15.4	22.1
Scotty's	6,769	6,303	2,602	10.1	6.1	23.2
Wolohan Lumber	1,600	1,500	694	23.4	22.9	15.3
National Lumber	1,300	1,500	750	NA	NA	NA
Strober Organization	500	370	NA	14.0	22.5	NA
NHD Stores	620	566	532	12.6	10.5	2.5

	Gross Margins as % of sales		
	1988	1987	1979
Lowe's	23.9%	23.9%	18.0%
Home Depot	27.0	27.8	28.8
Payless Cashways	NA	NA	NA
Grossman's	29.1	29.4	NA
Hechinger	NA	NA	NA
Scotty's	27.5	31.0	29.7
Wolohan Lumber	27.9	27.1	22.9
National Lumber	30.1	30.3	NA
Strober Organization	30.0	30.2	NA
NHD Stores	NA	NA	NA

Source: Company annual reports, *NHCN* chart

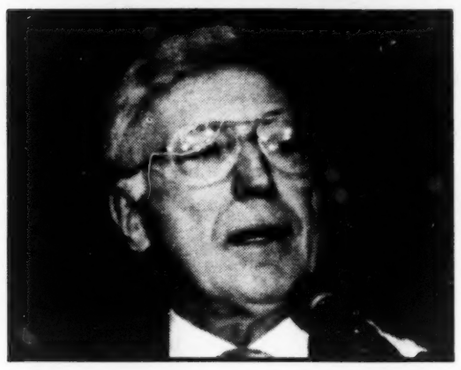
For the most part, the publicly held home improvement retailers have flourished over the past decade.

Since 1979 Lowe's has doubled its annual per-store sales to $8.5 million; Payless Cashways, whose units got $5.3 million 10 years ago, now produce almost $10 million each. Wolohan Lumber's store sales grew to more than $6 million from $4 million a decade ago.

Over the 10-year span, Home Depot's annual average growth rate as a chain was 85.1 percent, compared with the 24.1 percent annual growth enjoyed by Hechinger, 11.5 percent by Lowe's, and the 7.3 percent growth by Wolohan. Scotty's average percentage growth during this period was 13.4 percent, although that drops to 8.9 percent in the years 1983-88.

RETAIL CENSUS

Leading retail executives tout industry's vital signs



Bernie Marcus, chairman of Home Depot. NHCN photo

In 1988, The Home Depot celebrated its 10th anniversary with a bang by hitting $2 billion in sales, compared to $7 million in its first year of business. Its net income in 1988 jumped 42 percent to nearly $77 million.

The growth of the chain is unbridled, as Home Depot will open 24 stores this year.

Bernie Marcus, the chain's chairman and guiding light, discussed the health of the home improvement industry during a recent interview.

Analysts are wary of the industry's vital signs. Are we still in a growing market?

Yes . . . the soothsayers are wrong.

In the late 1960s, it was the discount store business that was dynamic. Then several people fell by the wayside and [Wall Street] said that the discount store business was doomed. But that wasn't true, because out of its ashes came people like K mart, Wal-Mart, the Target stores, all with a very viable, professionally run business, run by merchants who knew what they were doing.

If you look at the numbers of what was done in the discount store business in those years it's very relevant to what's happened in this industry. The players changed; the business didn't change. The people who are weak, the people who are not well run, the people who are riding dinosaurs and didn't change with the industry are gone.

The home improvement business is going to double [in sales] . . . and you're eventually going to have people doing 15, 20 and 25 percent of the business.

What does the successful retailer need to have in three to five years . . . to be one of the survivors?

Consumers want a place to shop where they can get a value. A value means they're going to want to buy items at a fair price. I'm not saying the lowest price because the lowest price may not be necessary at that point.

They're going to want a place to shop where they feel comfortable in the environment; to be able to buy what they want to buy when they want to buy it; to know they're going to get quality, and know they're going to find somebody who is going to be intelligent to take care of them.

Jud Walford, formerly of Builders Square. NHCN photo

Until his decision to leave the company a few weeks ago, Jud Walford was executive vp-merchandising and advertising for Builders Square, the 133-unit chain he helped found in 1983.

During the Home Center Show this past March, Walford discussed some of the many changes going on at one of the industry's fastest-growing but most controversial operators.

Has the Builders Square [warehouse] concept reached maturity?

We need about three full years to reach sales maturity and nearly half our stores haven't been open that long, so we're a long way from steady growth.

We've used information from our new point of sale system and automatic replenishment to refine our product mix. It has given us a better definition of what to keep in the store. The majority of the 7,000 skus that we've eliminated were a duplication of brands.

We see ourselves as strong as a pure home center but maybe too narrowly focused. We have added products to broaden our mix, particularly for women, [by] adding more items in the housewares section.

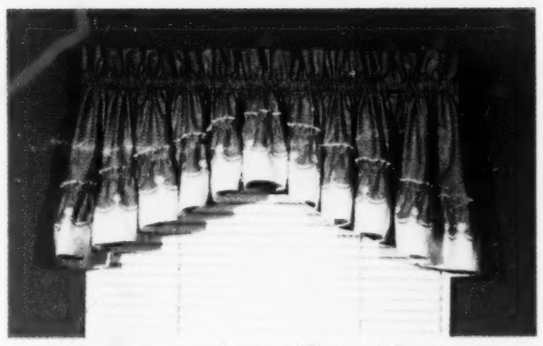
How does Builders Square cope with the ever increasing demand for service, particularly in markets where help is hard to find?

No one can afford great service; it's too expensive. So the key to service is to target it and find the specific areas where it's sensitive to the con-

(Continued on page 62)

"Curtron™ High Hats® have a line I never expected."

Vincent Franco, President, Frankels Home Furnishings, Port Washington, NY.



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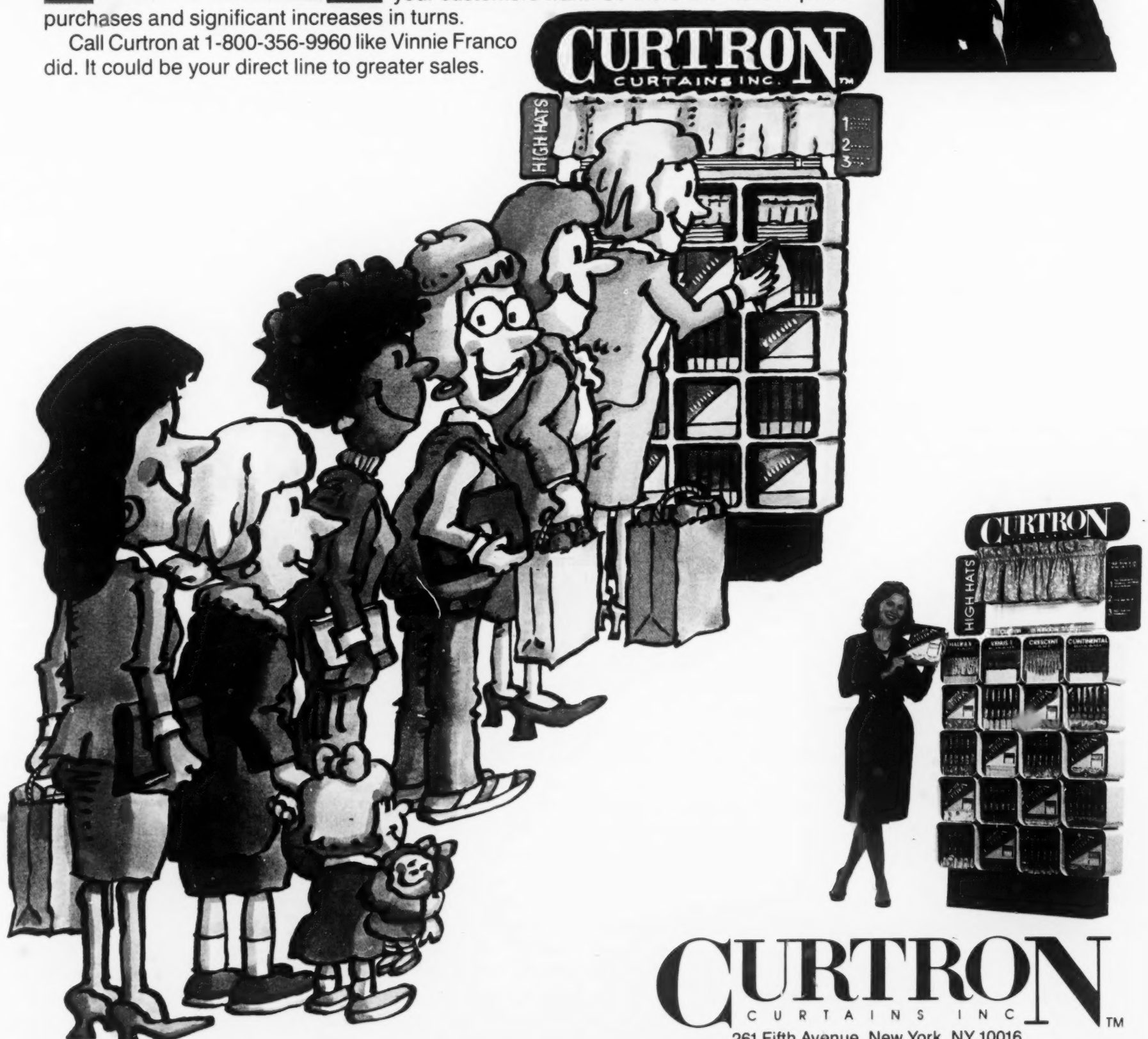

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RETAIL CENSUS

Industry officials stress service, employee training

(Continued from page 60)
sumer, like carpet and ceramic tile. Service is essential in lumber and building materials for loading and to sell related products.

You have to pick your spots, and he who picks the spots the best will make it.

How do you view Builders Square's relations with its vendors?

We now have better information on fill rates, shipping, product by product and sku by sku and know what products are moving.

We have regular communciation with our major suppliers and hold marketing meetings with the top 100 vendors over six to eight weeks during November and December.

However, it's surprising to me that vendors in our industry are doing less than in other industries to fight for shelf space.

David Stanley, president of Payless Cashways. NHCN photo

His company pursued by corporate raider Asher Edelman, David Stanley was successful in taking Payless Cashways private last October, but at a heavy cost: $1.2 billion in debt, whose interest equals $400,000 a day.

The 54-year-old Stanley discussed his company and his considerable challenges within the context of a changing industry.

What does Payless have to do well to succeed, given the changes at your company these recent months?

The retailer, whether it's us or anyone else, has to be the low-cost provider of the value bundle; these companies have a true competitive advantage.

That value equation includes service, as this is a high service business in which only a very few provide good service. And internally, you simply need to get higher compstore volume from each unit.

There are very few retailers today who make it on buying better alone; few of us are in the business of chasing after a gross margin rate.

There appears to be more need for installed services. Is that so or is the offering too complicated?

In order for a store to do that effectively, you've got to have a single source of installation. Now all of a sudden you've taken one of your [remodeler] customers and preferred him to all of your other, very good customers.

We did have an installed sales program in Kansas City and Dallas. I view it as being unsuccessful in part because the demand for installed services from us wasn't there and in part because it was competitive with our very best customers.

What is your company doing to cement relationships with vendors?

When I look at our top 20 suppliers, I think we have the equivalent of partnership relationships or incipient partnership relationships with at least 12 of them. That partnership includes forecasting, negotiated, carefully structured supply arrangements when they will deliver, how we will order and regular EDI [electronic data interchange] with 74 of our larger vendors.

Robert Strickland, chairman of Lowe's. NHCN photo

There are few constants in home improvement retailing. But Lowe's remains atop the industry in total sales. And more recently, the company has been an innovator in new store concepts.

Lowe's chairman, Robert Strickland, has spoken extensively on his company and the industry. He elaborated on some of his views during a recent interview.

There's been some question about the industry's vitality.

(Continued on page 64)

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RETAIL CENSUS

Consolidation anticipated by top industry executives

(Continued from page 62)

People will continue to spend more time at home. The cocooning idea makes good sense.

Homeowners out there would rather have someone else do the work for them, but that's just not happening; I don't see any trends where plumbers or carpenters are becoming any more available or more reasonably priced.

Some in the industry have argued, though, that store formats that have worked previously are giving way to new ways of presenting products; that some home centers have, in effect, become convenience stores.

Compared to everything that came before them, traditional home centers were basically convenience stores. Handy Dan and Handy City were the first stores that brought under one roof, for the first time, not only everything needed to fix it, but also to fix it up.

The real question for all of us now is how a leopard can change his stripes.

What is Lowe's doing here?

We've just expanded the trading area of our Boone store [to approximately 40,000 square feet]. In three years we will change many stores into larger stores in the same markets.

Will industry accept a genuinely new store concept?

I'm not sure the industry is mature enough to accomplish that.

What are the other key concerns?

We need to get to the point where self-service is purely satisfied. That may [take] about three years. It means getting appropriate space for self-service and then coming back and overlapping service selling. Boone's environment would lend itself better than any warehouse store would lend itself to service selling.

Steven Kadish, president of Handy Andy. NHCN photo

Not too long ago, Handy Andy Home Improvement Centers was a midsized Chicago dealer that gave no hint of the explosive growth it has undergone over the past few years. Currently at 50 stores, the $370 million chain has just agreed to purchase the 38-store Central Hardware.

Steve Kadish, Handy Andy's president, spoke with NHCN *before that acquisition about his company.*

Some people are beginning to question the viability of the industry, given the number of chains for sale. How strong is retail home improvement?

The industry is much broader than just DIY; it's really a component of beautifying one's home, which includes buying the product, installing it or hiring someone to install it.

The "cocooning" phenomenon has turned the home into a retreat for many families, the focal point of activity. So what our company sells is very viable for what homeowners want and need.

However, the business continues to have a "market share philosophy" which hasn't been all that healthy. The easiest thing to do is to lower prices, but that's not enduring; it's the package you take to market.

Does that package include offering installation to busy homeowners?

Installation is fraught with difficulties, but these aren't sufficient enough to negate the service. Ernst's Mr. Build program appears to be working, and Sears dominates this area. If one operator can do it, it can be done.

What should ceos like yourself be concentrating on these days?

One of our many challenges is to hire people who have been the traditional retail employees, and getting more out of them in terms of productivity.

Secondly, there's execution: taking a concept and making it reality. There are always great opportunities for internal growth, in terms of profitability and return on investment. In addition, there are certain maturity levels inside a company that lend themselves to experimentation.

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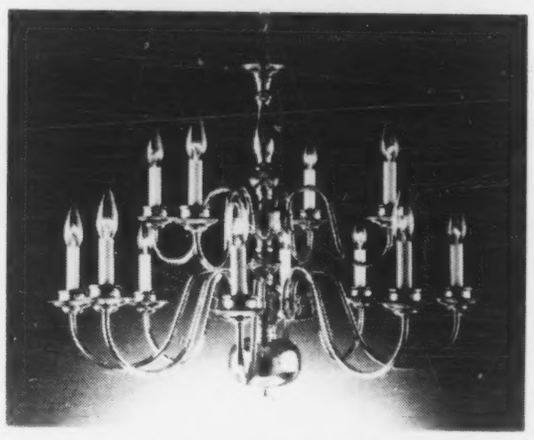

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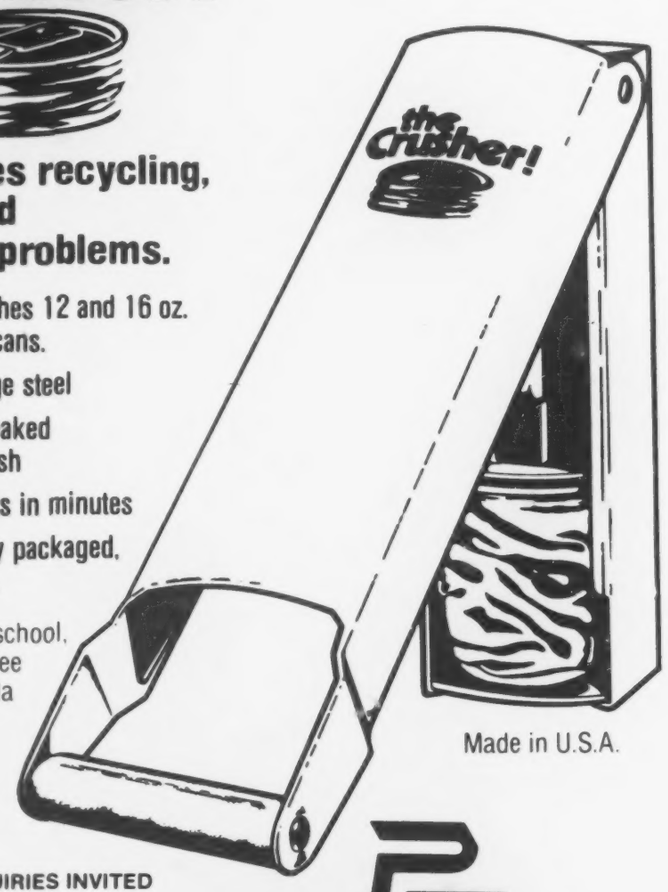

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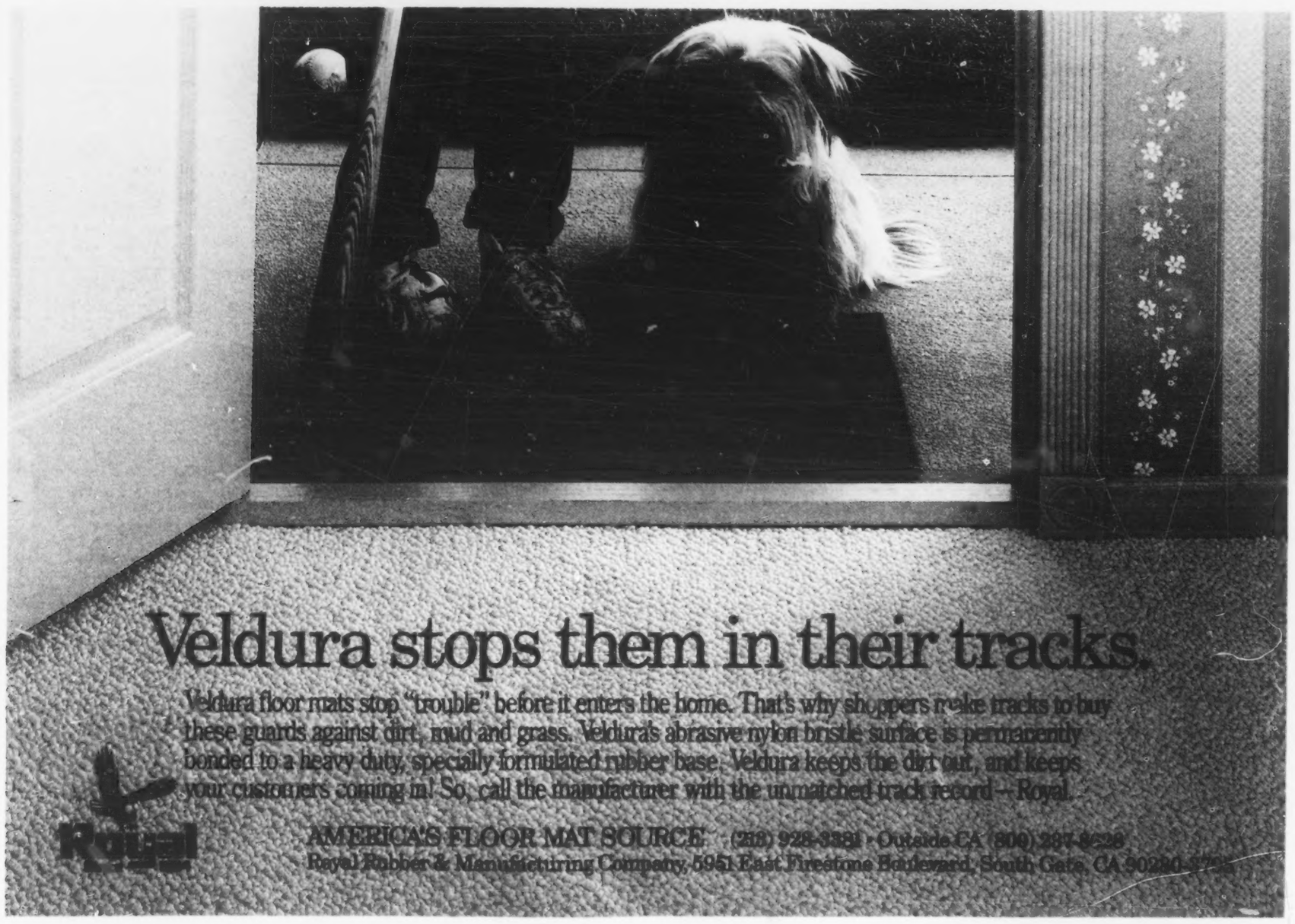
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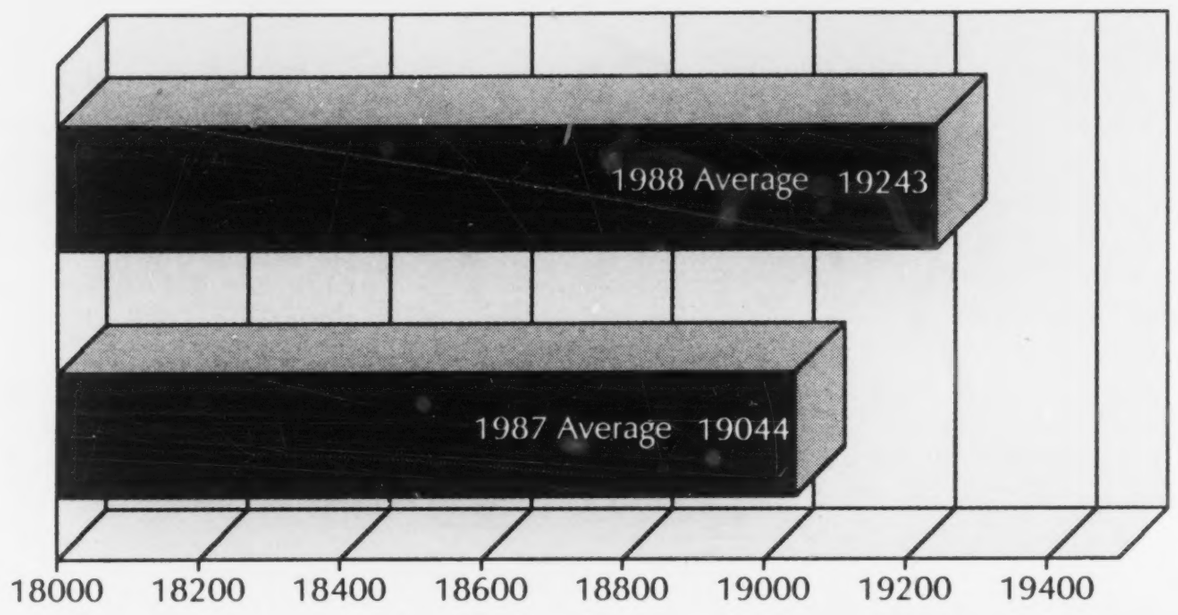
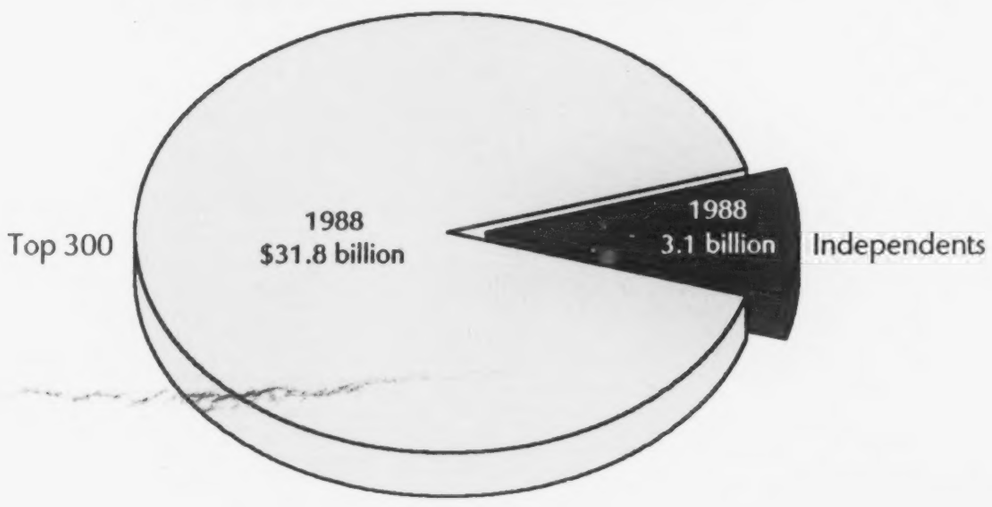
RETAIL CENSUS

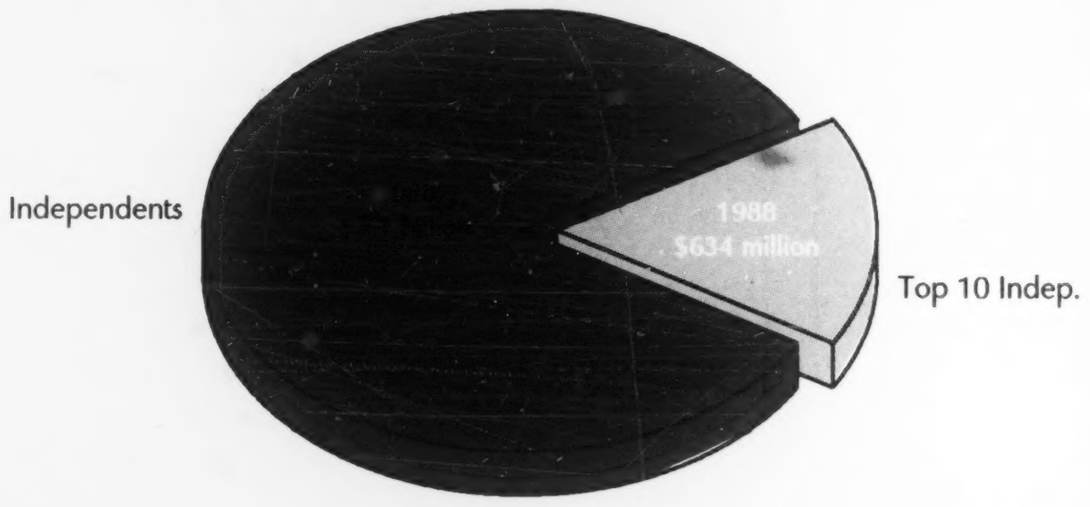
Square Footage For Independents



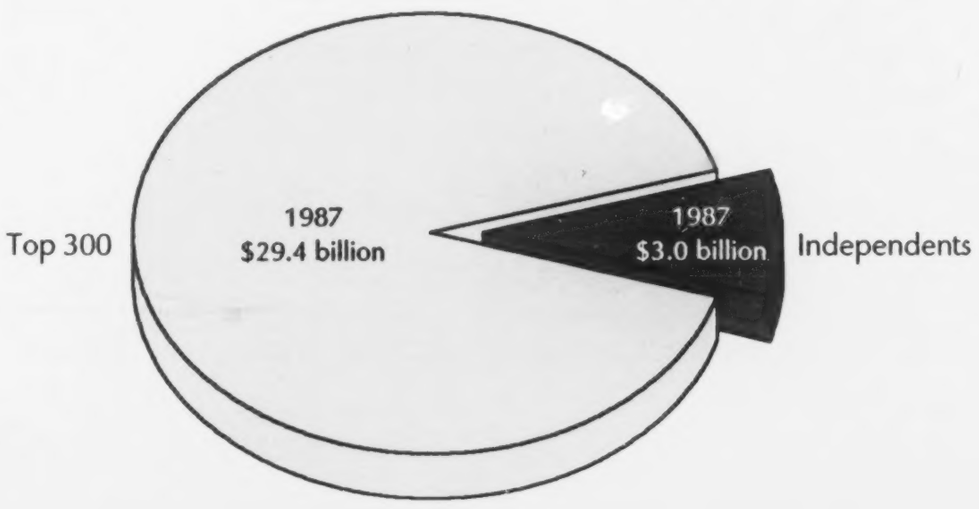
Independents* make up 9.7 percent of the Top 300 in 1988 . . .



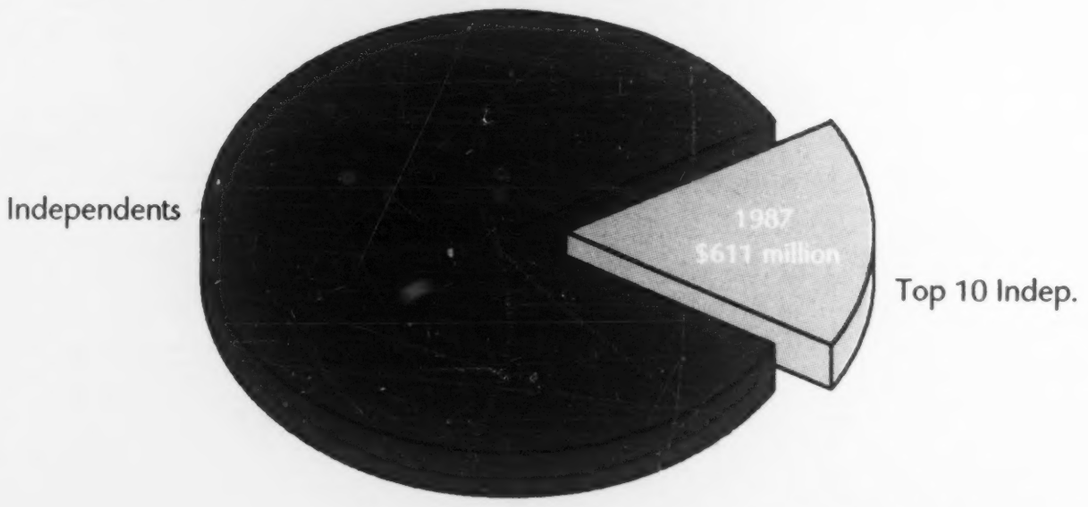
The Top 10 independents make up 19.8 percent of all independents on the Top 300 in 1988 . . .



. . . down from 10.2 percent in 1987.



. . . up slightly from 19.7 percent in 1987.



*Independents are those companies with three or fewer stores

Independents' hold in marketplace slides in 1988

There are small guys, and then there are *small* guys.

Even among independent dealers, there's a pecking order. But as a whole, it appears that independents' hold on the marketplace is slipping a bit, if their percentage share of the total last year is any indication.

Among the Top 300 retailers, 119 companies—almost two-fifths—operated three or fewer stores last year. These independents' claim to fame is usually strong service, a product mix more attentive to local consumer preferences, and convenience to professionals and DIYers alike.

The "typical" independent store among the 215 units these companies operated did $14.4 million in sales last year, and stocked around 13,300 items out of a 19,243-square-foot showroom that got slightly less than three-quarters of its business from contractors and remodelers.

But when it comes to home improvement centers, typical descriptions hardly do justice to the diversity to be found nationwide, and this is true of independent dealers as well.

These includes James Lumber, the 4,500-square-foot, contractor-oriented yard in Huntington Beach, Calif., that did an estimated $80 million last year; to Olshan Lumber in Houston, whose two 30,000-square-foot units generated $20 million; to the 120,000-square-foot Sackett & Peters in Whittier, Calif., which stocks 37,000 items and did $15 million last year.

The 119 dealers with three or fewer stores that were tracked by *NHCN* realized an aggregate sales gain of 3 percent, to $3.09 billion, which is considerably less than the 9 percent growth enjoyed by the combined Top 300 retailers.

And, as the accompanying chart shows, the market appears to be growing *away* from these companies, too.

Even though the difference in market share between 1988 and 1987 for this collection of dealers is minuscule—4 percent of $77 billion versus 4.2 percent of $71 billion, respectively—the fact that these retailers' sales growth was also slower than the industry's larger-dealer segment presents some problems for smaller operators.

This is even more pronounced when one finds that, within the Top 300 dealers, the independents' market share has fallen to 9.7 percent in 1988 from 10.2 percent a year earlier.

This is not to say, though, that independents are sitting by idly, watching the bigger chains eat their lunch. Overall, these companies expanded internally, and the typical independent added around 200 square feet and 150 skus to his store.

And there were some real success stories among this group of dealers. Shelly Enterprises, the three-store dealer in Souderton, Pa., saw its sales rise 50 percent to $30 million in 1988, and three other companies—Davidson's Industry in Southport, Ind.; Fairfax Lumber in Springfield, Va., and Mead Clark Lumber in Santa Rosa, Calif.—increased their respective volumes by 25 percent.

A number of dealers boosted the size of their showrooms, including Moynihan Lumber in North Reading, Pa., which went from 4,500 square feet to 6,200, and Buena Park Lumber in California, whose showroom grew by 1,000 to 26,000 square feet.

RETAIL CENSUS

INTERNATIONAL REPORT

TOP JAPANESE HOME CENTERS

Rank	Company	Sales $ Mil. '88	Sales $ Mil. '87	Number of Stores '88	Number of Stores '87	Avg. Skus 000	Avg. Store 000 sq.ft.
1	**Viva Home**, Ageo-Shi,Saitama	$520.4	$437.1	41	39	NA	16.6
2	**Keiyo,** Chiba-Shi, Chiba	448.3	376.9	49	45	NA	14.3
3	**Iseya,** Isesaki-Shi, Gunma	431.2	366.5	NA	70	NA	14.0
4	**Kama,** Kariya-Shi, Aichi	375.0	345.7	29	28	NA	25.9
5	**Tokyu Hands,** Sibuya-ku,Tokyo	370.2	317.4	7	7	NA	53.3
6	**Joyful Honda,** Tuchiura-Shi, Baragi	282.5	241.6	NA	6	NA	32.6
7	**Ishiguro Homa,** Sapporo-Shi Hokkaido	205.9	170.2	21	17	NA	15.6
8	**DO IT,** Yono-shi, Saitama	198.9	156.1	17	17	NA	34.1
9	**Shimachu,** Omiya-Shi, Saitama	175.4	154.6	15	15	NA	19.6
10	**Juntendo,** Masuda-Shi, Shimane	168.7	142.7	123	115	NA	6.1
11	**Komeri,** Niigata-Shi, Niigata	162.1	130.1	74	65	NA	7.4
12	**Mr. Max,** Fukuoka-Shi, Fukuoka	161.3	135.3	13	13	NA	16.9
13	**Nakai,** Tokushima-Shi, Tokushima	160.0	139.0	NA	23	NA	15.8
14	**Kanseki,** Utsunomiya-Shi, Tochigi	152.4	138.2	25	21	NA	20.4
15	**Encho,** Shizuoka-Shi,	148.7	134.6	11	9	NA	23.8
16	**Daio,** Yokohama-Shi, Kanagawa Shizuoka	141.2	122.7	5	5	NA	17.7
17	**Sandei,** Kachinoke-Shi, Aomori	136.0	127.1	22	21	NA	11.1
18	**Yamshin,** Mito-Shi, Ibaragi	134.6	127.1	11	11	NA	20.3
19	**Osuka,** Toyama-Shi, Toyama	130.8	116.0	14	14	NA	19.8
20	**Sekichu,** Takasaki-Shi, Gunma	127.1	115.2	11	11	NA	25.8

$1.00 = 134.5 Yen
Source: Diamond-Friedman, Inc.

NHCN chart

TOP GERMAN HOME CENTERS

Rank	Parent Co.	Home Center Chain(s)	Volume U.S. $	Number of Stores
1	**Asko**	Praktiker	419	52
		Extra		28
		Esbella		2
		Realkauf	210	20
		Continent		3
		Massa	314	23
2	**Tengelmann**	OBI	680	179
3	**Bauhaus**	Bauhaus	498	103
4	**co op**	plaza/bau & hobby	293	103
5	**Metro**	Metro		14
		BLV		17
		Meister	288	5
		Huma		4
6	**Stinnes**	Stinnes	270	55
7	**Max Bahr**	Bahr	262	43
8	**hagebau**	hagebaumärkte	233	100
		hagebaushops	10.5	35
9	**Interpares**	Interpares	202	97
10	**AVA**	Marktkauf	128	17
		dixi	21	6
11	**Hornbach**	Hornbach	146	21
12	**Mobau**	m-baumarkt	131	51
13	**Wirichs**	Wirichs	123	24
14	**Spar**	Bauspar	115	18
		famka		9
15	**Distributa**	hcla	105	18

Source: *bau & heimwerker markt* magazine

$1.00 = 1.909 DM

LEADING CANADIAN BUYING GROUPS

Rank	Company	Sales $ Mil. '88	Sales $ Mil. '87	Number of Stores '88	Number of Stores '87	Avg. Skus 000	Avg. Store 000 sq.ft.
1	**Independent Lumber Dealers Co-operative,** Toronto	$927	$784	152	141	13	16
2	**Home Hardware,** St. Jacobs, Ont.	632	548	990	970	13	13
3	**Tim-Br-Mart,** Vancouver	527	471	167	165	15	25
4	**Rona-Dismat,** Boucherville, Que.	410	393	529	491	8	10
5	**Sodisco/D.H. Howden** Victoriaville, Que./London, Ont.	322	240	4,000	4,000	8	6

$1.00 = $1.18 Canadian
Source: Companies listed

NHCN chart

TOP BRITISH HOME CENTERS

Rank	Company	Sales $ Mil. '88	Sales $ Mil. '87	Number of Stores '88	Number of Stores '87	Avg. Skus 000	Avg. Store 000 sq.ft.
1	**B&Q plc,** Southampton	$1308	$1064	239	219	25	39
2	**Texas Homecare,** Wellingborough	698	586	198	155	20	31
3	**Wickes plc,** London**	601	205	202	68	3	25
4	**Payless DIY,** Sevenoaks	323	278	97	92	25	23
	A.G. Stanley, Cheshire*	250	148	450	300	8	5
5	**Do-It-All,** West Midlands	422	320	107	91	20	30
6	**Homebase,** Surrey	287	215	47	38	22	26
7	**Great Mills,** Bristol	242	178	74	63	26	27
8	**Wilkenson Hardware,** Nottinghamshire	135	101	78	68	8	5
9	**J.H. Leeke & Sons,** Pontyclun	57	37	3	3	32	135
10	**Robert Dyas Ltd.,** Croydon	35	30	37	36	15	4
11	**Focus,** Birmingham	27	10	13	6	NA	23

Conversion rate: $1.666 = £1
*A.G. Stanley was purchased by Payless DIY
**In October 1988, Wickes bought Hunter Timber Group, a chain of contractor yards. Above figures include last three months of Hunter's fiscal year. Wickes alone operates 77 stores. If both companies' annualized sales combined, Wickes did $1.13 billion in 1988.
Sources: Companies listed

NHCN chart

LEADING CANADIAN RETAILERS

Rank	Company	Sales $ Mil. '88	Sales $ Mil. '87	Number of Stores '88	Number of Stores '87	Avg. Skus 000	Avg. Store 000 sq.ft.
1	**Canadian Tire,** Toronto	$2191	$2023	408	404	40	25
2	**Beaver Lumber,** Markham, Ont.	842	731	192	197	10	12
	Groupe Val Royale, Montreal	130**	98	14	14	22	33
3	**Cashway,** Brampton, Ont.	265*	260	61	57	10	10
4	**J. Pascal,** Montreal	177	162	23	22	35	NA
5	**Revelstoke,** Langley, B.C.	126	110	27	26	25	25
6	**Lumberland,** Burnaby, B.C.	90*	NA	15	14	18	20
7	**Lansing Buildall,** Toronto	60*	NA	7	7	15*	20
8	**Totem,** Calgary, Alberta	46	40	8	7	8	15
9	**Goineau-Bousquet,** Laval, Que.	24	19	2	1	40	75

$1.00 = $1.18 Canadian
*NHCN estimates
**Numbers are also included in totals of Beaver, which is part owner of company.
Source: Companies listed

NHCN chart

TOP FRENCH HOME CENTERS

Rank	Company	Total Sales $ Mil.	Number of Stores	Average Store Size (in sq. ft.)
1	**Castorama**	$789	84	55,000
2	**Leroy Merlin**	604	45	60,000
3	**Bricomarche***	575	120	16,000
4	**Mr. Bricolage**	310	205	5,000
5	**OBI France**	232	59	35,000
6	**Bricorama**	170	64	17,000
7	**Bricofrance**	102	64	10,000
8	**BHV**	92	21	75,000
9	**Briker**	87	20	NA
10	**Gagmi**	83	91	6,000

**NHCN* estimate
Sources: *Points Vente* magazine; DIY Superstore
$1.00 = 6.4 FF

RETAIL CENSUS

Discount chains seize DIY home improvement sales

By Brad Altman

NATIONAL REPORT — Underscoring the competitive nature of the DIY business, consumers are purchasing substantial amounts of home improvement-related products from non-home center-related sources, primarily mass merchandisers and discount stores.

While the first rash of hypermarkets which opened in 1988 failed to present a competitive threat to home centers, the 10 leading mass merchant and discount chains posted home-improvement sales of approximately $14.4 billion in 1988, by *NHCN* estimates (*see chart*). That compares with $13.9 billion in sales generated in 1988 from the 10 largest home centers.

Yet there is "likely to be a thinning out of non-home improvement retailers selling home improvement," according to George Rosenbaum, president of Leo J. Shapiro and Associates, Chicago.

Discounters and mass merchandisers "staying in the business will get stronger and more powerful," Rosenbaum said. "The share of business done by home centers is going to grow very, very, slowly. Not by any means are we at a point where the home center industry is going to have the dominant share of total home improvement business."

A consumer poll conducted for *NHCN* by Leo J. Shapiro four years ago indicated that more than 4 out of 10 consumers in seven selected metropolitan markets did not use the home center as their primary source of supply. Rosenbaum said he believes that situation has not changed, noting a more recent study by Black & Decker which found that only 35 percent of all retail power tool sales are made at home centers.

K mart, the Troy, Mich.-based retailer, last year expanded its selection of basic hardware and home improvement products and is developing and enlarging its Home Care Centers now located in 328 K mart stores. NHCN photo

K mart expands dept.

In any discussion of discounters selling home improvement products, K mart would have to be mentioned. The Troy, Mich.-based retailer last year expanded its selection of basic hardware and home improvement products and is developing and enlarging its Home Care Centers now located in 328 stores.

The Home Care Centers vary in size, but a majority contain 1,200 stockkeeping units in approximately 15,000 square feet of selling space. Items include dimensional lumber, kitchen cabinets, bathroom vanities, hardware, power tools, paint, electrical and plumbing products, a K mart spokesperson said.

Another relatively new non-home center format finding success with DIY-related product selling are the general merchandise warehouse clubs. These clubs generally do not attempt to match the breadth of merchandise available in home centers, preferring to offer a single model of a power tool at a competitive price.

For home center dealers, the general merchandise clubs offer no insurmountable competition and in fact general merchandise clubs and home centers have been able to peacefully coexist next door to each other in some areas.

Costco, the general merchandise membership warehouse club founded six years ago in Seattle, now has 52 units, of which seven share parking lots with HomeClub outlets in the Western United States with an eighth being planned, said Costco president Jim Sinegal.

Sinegal told *NHCN* that about 10 percent of Costco's sales are generated by home improvement products. Nonetheless, he added, HomeClub units "seem to prosper next-door to us."

Slow growth in hardlines

While discounters and mass merchants are unlikely to retreat from selling DIY-related merchandise, observers note that their most profitable departments are softgoods-related, and this is where these merchants appear to be focusing most of their efforts.

Of 13 merchandise categories sold by discounters, hardware products were among the slowest-growing category, according to a study by *Discount Store News*. In the most recent year for which figures have been compiled, sales of hardware products in discount stores gained 2.9 percent in 1987 to $7 billion, *DSN* reported.

But it appears that a number of companies are looking for ways to expand this part of their business. Target, an upscale discount department store chain which recently took over 30 former Gold Circle-Richway stores, raised its store count to 379. According to spokesperson Gail Dorn, the retailer is planning to "test a lot of things" in new markets. "I wouldn't be surprised if home improvement products" are on the list, she said.

At Portland, Ore.-headquartered Fred Meyer, spokesman Rob Boley said the 112-unit chain considers the full-line Home and Garden Department one of its four key departments in its stores. The retailer does not break out departmental sales but Boley said non-food sales are about two-thirds of the retailer's total $2.1 billion volume in its latest fiscal year.

Among mass merchants, Sears remains the major seller of DIY products.

Sears' much-publicized image change to everyday low prices at its 825 stores will likely have an impact on the home center market, as Sears expands low-price promotions on DIY-related brand-name goods and continues to rely on its private-label products such as Kenmore washers and Craftsman tools.

Rosenbaum of Leo J. Shapiro said, "In major home-improvement product categories such as portable power tools, there's no question that Sears is the dominant retailer. That is a share of market Sears is likely to maintain if not grow, given its current effort to drive a lot of traffic through its store with a new low-price policy."

Sears also is trying to expand home center-related product offerings through separate specialty stores such as its Sears Ltd., which now has two stores open in the Chicago market. Gordon Jones, a spokesman for Sears Merchandise Group, said, "We are looking at hardlines and home improvement because we see a lot of growth opportunity."

Unlike Sears, Montgomery Ward, which last fall lowered prices on over 10,000 items and expanded discount pricing to name-brand items, has deemphasized its reliance on home improvement items. Chuck Thorne, media relations manager for Montgomery Ward, said the chain continues to sell Glidden paint as well as a private label in its seasonal department, but has eliminated hammers, power tools and plumbing items from its merchandise mix.

Sears' change to everyday low prices at its 825 stores is likely to have an impact on the home center market, as it expands low-price promotions on DIY-related brand-name goods. NHCN photo

Sears, Chicago (MM)	$30.3 bil.	$4.5 bil.*	825
K mart, Troy, Mich. (DS)	27.3 bil.	4.1 bil.**	2,243
Wal-Mart, Bentonville, Ark. (DS)	20.6 bil.	3.1 bil.	1,279
Target, Minneapolis, Minn. (DS)	6.3 bil.	630 mil.	349
Montgomery Ward, Chicago (MM)	4.7 bil.	235 mil.	327
Price Club, San Diego, Calif. (CLUB)	4.0 bil.	480 mil.	42
Ames, Rocky Hill, Conn. (DS)	3.4 bil.***	510 mil.	688
Fred Meyer, Portland, Ore. (DS)	2.1 bil.	357 mil.	112
Costco, Seattle, Wash. (CLUB)	2.0 bil.	200 mil.	52
Bradlees, Braintree, Mass. (DS)	1.9 bil.	285 mil.	131

Rank	City (Metro Area)	1988 Bldg mat'l Sales vol. $ mil.	1989 Bldg mat'l Sales vol. $ mil.	Percent Change
1	Los Angeles	2594.3	2889.3	11.4
2	Chicago	1760.6	1870.1	6.2
3	New York	1574.3	1649.8	4.8
4	Atlanta	1376.9	1640.5	19.1
5	Boston	1521.8	1614.3	6.1
6	Philadelphia	1441.9	1610.4	11.7
7	Houston	1621.8	1589.4	– 2.0
8	Detroit	1306.5	1506.0	15.3
9	Long Island, N.Y.	1190.2	1311.6	10.2
10	Washington D.C.	1172.2	1293.8	10.4
11	Anaheim/Santa Anna, Calif.	1148.7	1269.8	10.5
12	Minneapolis/St. Paul, Minn.	1138.7	1242.0	9.1
13	Dallas	1113.3	1187.1	6.6
14	Phoenix	911.0	1063.2	16.7
15	Riverside/San Bernardino, Calif.	898.9	1045.3	16.3
16	St. Louis	943.5	1023.5	8.5
17	Seattle	838.6	943.3	12.5
18	Tampa/St. Petersburg, Fla.	841.1	938.3	11.6
19	San Diego	760.3	898.9	18.2
20	Denver	880.0	896.2	1.8
21	Baltimore	713.3	844.5	18.4
22	Oakland, Calif.	765.9	835.7	9.1
23	Sacramento, Calif.	916.8	743.5	–18.9
24	San Jose, Calif.	665.0	698.1	5.0
25	Pittsburgh, Pa.	633.5	681.0	7.5
26	Newark, N.J.	607.1	676.7	11.5
27	San Francisco	603.1	671.6	11.4
28	Ft. Worth/Arlington, Texas	561.5	646.3	15.1
29	Miami/Haileah, Fla.	622.8	639.1	2.6
30	Kansas City, Mo.	560.1	613.1	9.5
31	San Antonio, Texas	544.9	601.8	10.4
32	Orlando, Fla.	542.3	593.6	9.5
33	Austin, Texas	550.1	590.9	7.4
34	Charlotte, N.C.	495.1	562.9	13.7
35	Oklahoma City	571.6	562.1	– 1.7
36	Bergen-Passaic, N.J.	490.4	552.3	12.6
37	Cleveland	479.2	512.0	6.8
38	Indianapolis	467.3	509.5	9.0
39	Norfolk/Virginia Beach, Va.	451.1	506.1	12.2
40	Ft. Lauderdale/Hollywood, Fla.	483.0	498.8	3.3
41	Monmouth-Ocean, N.J.	393.1	491.7	25.1
42	Cincinnati	451.2	488.8	8.3
43	Salt Lake City	454.1	479.6	5.6
44	Columbus, Ohio	424.0	467.7	10.3
45	Middlesex/Somerset/Hunterdon, N.J.	382.4	453.7	18.6
46	Hartford, Conn.	421.5	450.2	6.8
47	New Orleans	461.8	444.1	– 3.8
48	Bridgeport/Stanford, Conn.	402.8	441.3	9.6
49	Milwaukee	411.2	434.5	5.7
50	Portland, Ore.	338.5	418.8	23.7
	Total	40,899.3	44,592.8	9.4

Source: Editor and Publisher — *NHCN* chart

RETAIL CENSUS

California sets sales pace for the nation in hardware, lumber and building materials sales

By an NHCN staff editor

NATIONAL REPORT — The retail sales of lumber, building materials and hardlines have grown by more than 75 percent over the past five years and are expected to increase another 10 percent in 1989 to $107 billion.

And it appears that California—the state with probably the greatest number of home center units in the country—will continue to lead other states in total sales going into the 1990s.

However, there also appears to be a shift in where a good portion of the retail buying activity is occurring, and states such as Florida, Texas and New Jersey can be expected to play a more significant role in the overall growth of the home improvement industry in the next decade.

7 of top 50 metro areas

The *Editor and Publisher* statistics confirm that, despite consolidation in some pockets around the country, retail home improvement sales remain fairly dispersed beyond the largest metro areas. In fact, the top 50 sales markets are expected to take less of the total pie this year—an aggregate of 41.6 percent—than the 42 percent they generated in 1988.

This is not to say, however, that the largest markets won't continue to command the biggest chunk of the retail home improvement business. California is expected to capture 11.5 percent of the national total, with the metropolitan area of Los Angeles alone

(Continued on page 76)

RANK	STATE	$000 1984	$000 1985	$000 1986	$000 1987	$000 1988	$000 1989	5 Year % Change
1	California	7,195,007	9,148,669	7,948,435	9,997,757	10,791,437	12,271,232	71
2	Texas	4,747,747	5,526,584	6,313,184	7,509,681	8,186,329	8,675,053	83
3	Florida	2,873,065	3,675,925	4,195,137	5,162,129	5,650,467	6,345,591	121
4	New York	2,603,001	3,356,978	3,814,453	4,582,843	5,035,120	5,449,515	109
5	Pennsylvania	2,303,223	2,924,450	2,936,517	3,612,726	3,764,572	4,197,617	82
6	Illinois	2,509,295	3,149,354	2,964,943	3,618,849	3,840,915	4,143,961	65
7	Michigan	2,046,030	2,672,920	2,374,984	2,910,076	3,228,616	3,685,578	80
8	Ohio	2,227,864	2,813,768	2,550,749	3,251,940	3,304,288	3,591,415	61
9	North Carolina	1,625,838	2,253,658	2,412,393	2,986,589	3,008,706	3,443,849	112
10	Georgia	1,368,882	1,760,643	2,042,085	2,513,539	2,687,019	3,123,212	128
11	New Jersey	1,438,567	1,797,925	2,035,217	2,531,165	2,666,903	3,095,050	115
12	Massachusetts	1,283,771	1,756,761	1,873,896	2,312,185	2,367,428	2,627,893	105
13	Minnesotta	1,704,597	2,177,394	1,878,722	2,319,704	2,359,060	2,585,643	52
14	Virginia	1,413,470	1,773,526	1,611,855	1,992,567	2,171,252	2,443,539	73
15	Washington	1,336,555	1,694,959	1,596,108	1,857,296	2,037,892	2,310,926	73
16	Missouri	1,374,409	1,732,083	1,665,076	1,884,267	2,074,472	2,300,571	67
17	Indiana	1,421,049	1,744,818	1,691,459	1,935,689	2,160,810	2,295,205	62
18	Wisconsin	1,258,924	1,592,068	1,473,909	1,835,569	1,912,585	2,112,457	68
19	Louisiana	1,036,018	1,252,053	1,588,127	1,811,675	2,062,052	2,045,389	97
20	Colorado	1,224,952	1,459,499	1,432,574	1,716,211	1,888,142	2,017,001	65
21	Tennessee	1,202,409	1,569,354	1,272,002	1,592,722	1,674,766	1,865,293	55
22	Maryland	743,078	997,602	1,236,459	1,486,190	1,514,491	1,747,803	135
23	Arizona	848,347	1,087,910	1,102,386	1,438,382	1,491,799	1,719,860	103
24	South Carolina	823,741	1,030,425	1,092,096	1,351,933	1,427,049	1,567,535	90
25	Alabama	957,815	1,201,666	1,503,104	1,305,816	1,393,934	1,560,034	63
26	Oklahoma	1,007,008	1,150,581	1,277,661	1,433,516	1,504,480	1,528,272	52
27	Iowa	1,002,693	1,215,529	1,070,011	1,216,762	1,440,189	1,504,156	50
28	Connecticut	736,455	946,671	1,027,674	1,283,859	1,322,763	1,457,802	98
29	Kentucky	930,887	1,132,411	1,043,113	1,217,250	1,330,516	1,423,549	53
30	Kansas	770,661	935,768	858,957	1,008,600	1,167,170	1,218,105	58
31	Oregon	856,207	1,078,715	767,286	922,787	1,019,000	1,142,276	33
32	Arkansas	610,978	804,167	703,976	841,886	902,357	1,002,414	64
33	Mississippi	489,031	603,397	701,845	847,374	854,168	929,210	90
34	New Hampshire	419,957	528,497	531,621	694,703	744,458	882,097	110
35	Nebraska	483,892	584,796	601,064	708,287	827,001	866,559	79
36	New Mexico	420,539	500,860	580,742	712,666	770,792	834,326	98
37	Utah	479,614	579,850	537,778	656,632	735,398	784,096	63
38	West Virginia	557,469	666,200	576,380	667,297	763,813	766,330	37
39	Maine	371,931	477,671	464,828	586,375	600,681	678,921	83
40	Alaska	189,445	256,344	545,962	633,406	638,160	651,579	244
41	Nevada	350,393	424,602	407,481	510,584	546,948	603,188	72
42	Idaho	416,872	524,798	368,179	427,215	471,813	504,145	21
43	Montana	380,941	474,839	354,120	404,342	482,538	499,904	31
44	North Dakota	394,281	481,599	353,495	406,991	423,181	407,573	3
45	Vermont	174,520	223,795	269,517	340,854	346,453	405,748	132
46	South Dakota	282,142	340,699	288,888	329,656	368,370	392,159	39
47	Rhode Island	186,677	243,401	263,713	320,001	332,005	365,261	96
48	Delaware	186,022	230,756	227,410	278,697	308,184	338,437	82
49	Wyoming	259,743	228,264	265,903	305,203	324,820	323,825	25
50	Hawaii	116,538	146,807	216,809	261,098	288,159	321,736	176
	Total:	59,642,550	74,932,009	74,910,283	90,533,541	97,213,521	107,052,890	79

Source: Editor and Publisher — *NHCN* chart

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RETAIL CENSUS

California sets sales pace, though Florida inches up

Florida, which is projected to produce the third highest amount of retail building product and hardlines sales, is gaining on California and Texas as the most important market for the home improvement business.

(Continued from page 74)
claiming nearly 3 percent of that total.

Indeed, California is the home state for seven of the largest 50 metro markets for retail building products and hardlines sales, and their aggregate volume of $7.3 billion would equal nearly 7 percent of the national market.

However, when one evaluates sales growth patterns over the past five years, it is clear that California doesn't have a lock on retail home improvement business. In this period, the top five states, in terms of percentage sales growth, have been Alaska, Hawaii, Vermont, Maryland and Georgia.

Hovering just below these is Florida, which is emerging as a state of key importance to this industry.

Sunshine State shines

That Florida is ranked third in total retail dollar volume makes its 121 percent growth rate since 1984 all the more remarkable. And a number of its metro markets are expected to outperform the nation as a whole this year. For instance, Tampa/St. Petersburg—Florida's largest market in terms of population—should garner nearly $1 billion in retail home improvement sales, a 12 percent gain over 1988.

Conversely, though, *Editor and Publisher* estimates that Florida's growth will have some weak spots: Ft. Lauderdale/Hollywood's expansion is expected to be only 3.3 percent this year; Miami/Hialeah only 2.6 percent.

Northeast expands

One of the reasons Florida and California control so much of the industry's sales has been the rapid expansion into both these states by the leading home center chains.

That same expansion is now occurring in the Northeast, and this area's growth in recent years reflects this. Sales in five of the Northeast's nine states have increased by more than 100 percent since 1984, with Vermont's sales in this sector expanding 132 percent to $405 million.

New Jersey, which ranks 11th overall in retail sales, currently has four of the industry's top 50 metro markets, with Monmouth/Ocean expected to enjoy the single biggest growth rate—25 percent—of any major market nationwide, and Middlesex/Hunterdon—one of this state's strongest new home construction markets—projected to generate about $453 million, representing a 19 percent gain over 1988.

Texas rebounds

While the Northeast flourishes, Texas is attempting to dig itself out of the hole it's been stuck in for more than four years. Dealers and wholesalers in the state have reported that things are getting better, and despite its problems, Texas' retail home improvement sales have grown faster than the nation's as a whole since 1984.

But *Editor and Publisher* is giving Texas' metro markets a mixed report card for 1989. For example, the Ft. Worth/Arlington market is seen as strong, and its sales this year are expected to increase by more than 15 percent. San Antonio is also projected to keep pace with the country as a whole.

But Houston's retail commodities and hardlines sales, according to *E&P's* projections, will be off marginally this year, and business in Dallas and Austin will expand, on a percentage basis, at a slower pace than the U.S.

Ups and downs

The whole Oil Patch, in fact, appears to have some way to go towards complete recovery. Retail home improvement sales in New Orleans, for instance, are expected to fall off nearly 4 percent in 1989; in Oklahoma City, 2 percent.

But the biggest sales decline, surprisingly, is projected by *E&P* to be in Sacramento in northern California, whose sales will drop 19 percent to $743.5 million.

On the positive side, Portland, Ore., the 50th largest market, should see a 24 percent gain. Atlanta, the industry's fourth biggest, will have the biggest growth—$1.64 billion—of any of the top 10 metro markets this year.

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*Source: "A Profile Of The Retail Market For Adhesive And Glue Products," 1987. (Wholesaler-served retailers.)
Prepared by: Marketing Information and Research Services, National Retail Hardware Association, Home Center Institute.

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Corporate shuffling puts execs on street

Talent glut hits consolidating market

By Gary S. Ruderman

NATIONAL REPORT — The recent departure by Fritz Braymen from the chief operating officer post at Westlake Hardware adds yet another name to the growing list of more than a dozen senior executives looking for work in the home center industry.

News Analysis

This recent spate of executive firings, layoffs and resignations over the past several months raises the question, asked every few years, whether there's a talent glut on the market. Ironically, this current crop of free agents is job searching in an industry, that, according to most retailers, is crying for quality executive talent.

However, these officials are competing in a market in which consolidation has reduced the number of executive positions available. In addition, they are faced with the prospects of soliciting interviews with companies whose bottom line constraints can't absorb a lot of high-priced talent.

Consequently, experts believe that a number of long-time vps and general merchandise managers currently on the street are accepting positions well below their previous employment.

Well-known names available

The industry has gone through corporate reshuffling in the past, which has dunked some very high profile executives back into the job pool. But you'd be able to staff a good-sized chain with the talent that's out there this go-round, including:

- Jack Edwards, president of the Builders Emporium chain;
- Sean Lee, president of California-based HomeClub;
- George Poulos, president of Lampert Lumber in St. Paul, Minn.;
- Jud Walford and Frank Powers, two executive vps at Builders Square;
- Bill Martin and Bernie Eisenberg, two senior vps at Channel;
- Tom Cawley, president of Lloyd Home and Building Centers (who has since taken a position as a divisional merchandising manager at Rickel Home Centers); and
- a number of senior executives at Scotty's, including its president, chairman and executive vp.

Braymen, who joined Westlake as a buyer in 1977 and rose to the post of general manager and coo two years ago, tendered his resignation last month to Westlake's board. Braymen's move was prompted by Westlake's decision to seek a new ceo from outside the company. Westlake's president and ceo, Scott Westlake, resigned earlier in the year.

Change forces turnover

As much as it might be perceived as a buyers' market for senior talent, senior executives and executive placement experts wonder whether, in a period of industry consolidation, prospects for finding comparable positions in the home center field might be more problematic.

It's not that home centers aren't looking for new blood. Chains such as 84 Lumber and Erb Lumber are actively seeking executive talent from outside their corporate ranks. But most companies have the luxury of being picky these days, regardless of who's available. 84 recently chose to promote 15-year company vet Doug Murdoch to a new post of executive vp. And Erb Lumber's search to find a new president has been unsuccessful.

"It's hard to find top quality," explained Fred Erb, chairman of the diversified Michigan-based chain.

Home center retailers are facing more competition and boards are demanding immediate changes. Norman Zarkin, managing partner at E. J. Rhodes, a national executive search and placement firm in New York, said the recent ceo/coo turnover is indicative of an industry being forced to change more quickly than expected.

He said that turnover is a result of management's rushing "to raise profitability against the invading hordes of competition. Boards are far more requiring of their assets and strategies.

"There is no time for the evolution of change. Now it's the revolution of change," Zarkin said.

Executives leave Pay 'N Pak, Builders Emporium and Channel. See page 6.

ANNUAL CENSUS

BUILDING PRODUCTS WHOLESALERS

ANNUAL CENSUS: BUILDING PRODUCTS WHOLESALERS: The 93 building products distributors whose sales exceeded $25 million last year together produced more than $19 billion in total volume, which represented about an 8 percent gain.

But dominance at the top by G-P and Weyerhaeuser, expansion through mergers by firms like Sequoia Supply and Huttig Sash & Door, and encroachment by the hardware co-ops have distributors scrambling for new business through broader services and product lines. See page 13.

Babbitt Bros. enters 100th year with reinvigorated bottom line

By Brad Altman

FLAGSTAFF, Ariz. — "We're back on track and heading in the right direction," said Jim Babbitt, vp-administration for Babbitt Brothers Trading Co.

Proof of that turnaround can be seen on Babbitt's bottom line, where total corporate operating income rose 60 percent and income from its building materials division jumped 85 percent. It is also the result of some crafty moves on the part of the chain's management, which has remodeled some stores, closed others and trimmed some of its product assortment.

The northern Arizona operator of home centers, grocery stores, Indian trading posts and cattle ranches marked its 100th anniversary in mid-May with much pomp and circumstance.

(Continued on page 56)

Bill Galis is the first ceo of Babbitt Brothers not to come from the family. NHCN photo

Radon products lose their glow as public's interest wanes

Merchandising

By Elizabeth Brent

NATIONAL REPORT — Dealers and suppliers alike are in a quandary about how to market products for an intangible gas that turns consumers' homes into a health hazard.

Radon gas is found in the soil and filters into homes through cracks in walls and foundations. It leads to an estimated 20,000 deaths a year through lung cancer, according to the Environmental Protection Agency.

But sales of gas testing and mitigation products have slumped since the initial burst of consumer enthusiasm for the merchandise that followed the Surgeon General's announcement last fall that all homes should be tested for radon.

"We're still dealing with public apathy on the radon issue," said Margot Oge, direc-

(Continued on page 55)

NEWSBREAKS

HOME DEPOT EYES BOSTON MARKET: The Atlanta chain is looking at southern New Hampshire and the Boston area, and plans to open up to 10 stores in New Hampshire and Massachusetts, according to Brian Kelly, retail commercial property specialist for Coldwell Banker, which has been retained to find sites for the chain.

The first stores are slated to open in 1990 when Hechinger will also open four stores in Boston.

INDUSTRY UPDATE

Stanley buys European vendor

NEW BRITAIN, Conn. — The Stanley Works agreed in April to purchase Rabone Chesterman Limited, a major European supplier of measuring tools, for $14 million.

Rabone, a wholly owned subsidiary of Bardsey PLC, is based in London and has factories in Birmingham and Sheffield, England. Its 1988 sales of about $20 million were primarily to customers in the United Kingdom, Europe and other English-speaking countries overseas.

Bardsey has manufacturing and distribution businesses as well as property and investment interests.

The purchase, which is subject to certain preconditions, including approval by Bardsey stockholders and by the U.K. Office of Fair Trading, fits into "Stanley's strategic plans for Europe 1992," the company said in a prepared statement.

AHMA seminar looks at Europe

WASHINGTON — The American Hardware Manufacturers Association (AHMA) will sponsor a seminar later this month aimed at giving U.S. suppliers insight into the European market, which is on the threshold of consolidation.

The two-day program is entitled "EC '92: Europe Without Borders." It will be held at the Georgetown University Conference and Guest House here on June 27-28.

Speakers at this conference include Charles Ludolph, the director of the Commerce Department's Office of European Affairs, International Trade Association; Michael Calingeart, a career Foreign Service officer and author of *The 1992 Challenge from Europe*; and Dr. Corrado Pirzio-Biroli, deputy head of the European Delegation in Washington.

The topics to be discussed will include product liability, strategic planning, an analysis of trade barriers before and after 1992, and an overview of European economic and political changes.

For further information, contact Bill Farrell, executive director of AHMA, (312)605-1025.

Home Depot's earnings rise 35%

ATLANTA — The Home Depot's earnings gained 35 percent to $25.9 million on a 44 percent sales gain to $641.5 million in the first quarter ended April 30.

Sales increased 12 percent on a comparable store-for-store basis. The chain operated 98 stores at the end of the quarter compared with 75 units in the same year-earlier period.

During this quarter, two new stores opened, one in Scottsdale, Ariz., and the other in North Haven, Conn. Four additional stores are scheduled to open in the second quarter in Atlanta; Monrovia, Calif.; Stuart, Fla.; and Tempe, Ariz.

LAT's exec. vp changes again

AUSTIN, Texas — Barbara Douglas has been named acting executive vice president—the senior staff position—for the Lumbermen's Association of Texas (LAT). This is the third change in that position in the last three years.

The employment contract of Winston Depew, who took the job in March 1988, was not renewed, Depew said. LAT officials could not be reached for comment. Depew took over from Joe Butler Jr., who was removed by the board in March 1988. Butler succeeded his father, Joe Butler Sr., who retired in 1987.

Depew said his May 3 dismissal was due to "economic conditions within the industry." The cost-saving measure, he said, was a result of declining LAT membership due to the closing of yards around the state. He knew the poor economic conditions existed when he took the position.

"Winston Depew's [salary] was the biggest liability the association had and the most quickly removed," he said from his Austin, Texas, home. The LAT operates with four full-time staff members.

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ServiStar signs deal with major supplier of building materials

By an NHCN staff editor

BUTLER, Pa. — ServiStar's dealer-members with stores on the East Coast are now able to choose from a wider selection of cedar and cargo lumber under a new agreement the buying group has recently established with MacMillan Bloedel Building Materials.

The pact, agreed to in early April, is one of several the co-op has entered into, or is about to enter, with major suppliers of building products.

Bernie Day, ServiStar's general manager for lumber and building materials, said MacMillan Bloedel will provide less-than-truckload quantities of commodities to ServiStar dealers, enabling them to mix and match with large-shipment commodities they receive from other suppliers.

Day said the arrangement could yield in the first year sales of $15 million to $20 million for MacMillan Bloedel, which is based in Atlanta and has distribution centers up and down the Eastern Seaboard.

"We're trying to fill the needs of our various customers," said Day, adding that the partnership was formed in response to increases in requests for cedar and cargo lumber on the East Coast.

ServiStar supplies hardlines to some 3,800 stores throughout the U.S. But Day said it is the close to 1,400 lumber/home centers near the East Coast that would benefit most from this alliance, because their proximity to the Atlantic Ocean makes timely deliveries possible.

Cargo lumber, which usually includes green lumber and spruce, are commodities unloaded from ships.

(Continued on page 56)

NRHA proposes dues hike as reorganization cuts services

By Gary S. Ruderman

INDIANAPOLIS — The National Retail Hardware Association (NRHA) will seek a dues hike, its first in more than 88 years, at its annual convention next month in Toronto.

The dues hike proposal comes on the heels of a restructuring at the association last month that eliminated the NRHA's cooperative advertising rebate program for most of its members, its store planning office and several manufacturer-oriented programs.

The association's headquarters here has also been up for sale since October, according to one listing broker, Tucker Colliers, Inc. in Indianapolis. The asking price is $3.4 million for the 45,000-square-foot building on seven acres of land. (A Dun & Bradstreet report quotes the NRHA as owning a 60,000-square-foot building. *NHCN* was unable to reconcile the inconsistency).

"We're cutting back. We don't need that much help anymore," explained NRHA president Edward Saunders, following word that 20 employees were cut from the association's 72-member headquarters staff here.

"We've taken the retail charter and focused on retail services and programs. As a result, the marketing support service for manufacturers and wholesalers is not inherently part of a trade association" for retailers, said Saunders, who is also president of Saunders Hardware in Miami.

NRHA's main functions are education, lobbying and research for its 23,000-member retailers who operate stores in 19 states and in Canada, and for regional affiliates. It also

(Continued on page 58)

Sale of Williams Brothers off; owner appoints new exec. team

By Tim O'Malley

ATLANTA — The deal to sell the lumber division of Williams Brothers Lumber Co. is off. The chain's owner, Blue Circle Holdings Inc., has made major personnel changes in an apparent move to show it now intends to keep the division.

Financing problems were blamed for WBL Acquisitions Holdings Ltd. not being able to meet the agreement it had made in March to buy the division. The deal would have included eight lumber/home improvement stores, a saw mill, a door and window shop, a press mill and two wholesale distributors.

The deal was supposed to be finalized in early May, according to Frank Larkin, marketing director for Blue Circle. He said WBL had asked Blue Circle for two time extensions, and for a series of concessions, before withdrawing.

WBL is a new company comprised of BaseLine Capital Corp. and R. Duggan & Associates. Calls to their officials went unreturned, but Larkin said, "My understanding is that one of their big backers pulled out."

Management shakeup

With the sale off, Blue Circle quickly put in place a new management team at the lumber division. They include Jerry Johnson, who will take over as executive vp of the division, and David Marsh, who becomes vp-operations. Johnson was formerly chief financial officer of Williams Bros. and Marsh was a vp with Blue Circle.

The division's longtime vp-operations, Jim Stansberry, simultaneously resigned. Larkin said Blue Circle had made Stansberry's departure "appealing" after a long and physically exhausting tenure overseeing the division. "He was doing an excellent job with no direction," said Larkin.

Larkin did not dismiss the possibility that the division would still be sold if a serious offer were made. For now,

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EDITORIAL

Retailers gang up on LBM wholesalers

Here are a few interesting verbatim quotes:
• "Loyalty is disappearing. Each sale must stand on its own."
• "Pricing is the biggest factor. Customers want more and more service, but are not willing to pay for it."

These quotes sound like retailers railing about DIYers, but that's not the case. Rather, retailers are the object of these complaints, which were made by building products distributors.

Ken Schept
NHCN Editor

Business has been challenging for this segment of the industry during the past few years. Many retailers decided there was money to be saved in buying direct from manufacturers, and those willing to pay for services have often turned to co-ops.

But the review of building products distributors in this issue suggests that this group has been fighting back with some success. Growth for the top companies was about 8 percent last year, roughly equal to the increase experienced by retailers. But the numbers don't tell the whole story.

A lot of time and money have been invested in computerization, education, and in merchandise shifts from commodity to specialty products. Distributors are confident that these investments will pay off.

They overwhelmingly expect their customers to increase reliance on wholesale distributors during the next few years, according to a poll conducted by the National Building Material Distributors Association exclusively for *National Home Center News*.

Sustained success for building products distributors will depend on the extent to which they can offer service and value to retailers who also feel under the gun.

* * *

This issue completes the annual *National Home Center News* statistical review of the industry. Three successive issues were devoted, respectively, to full-line hardlines wholesalers, retailers and building products wholesalers.

The lists of industry leaders included 300 U.S. retailers; 70 international retailers from Britain, France, Germany, Japan and Canada; and 168 wholesalers for a total of 538 companies.

That's a lot of phone calling or, these days, faxing. The size of this effort reflects the commitment at *National Home Center News* to serving our readers.

It also reveals our methodology, which is simple: Be in constant contact with the industry—retailers, manufacturers and wholesalers—in order to learn the news and understand its implications.

That approach consistently makes *National Home Center News* the first place to turn for industry news and analysis.

We would like to thank you for your regular assistance and, in particular, for the cooperation we received while gathering information for what we believe is the most useful and comprehensive statistical view of the industry.

—Ken Schept

COMMENTARY

Monoliths don't intimidate small guys

The retail home improvement business may be fragmented. A wide range of companies divvy up hardlines distribution. But when it comes to building products wholesaling, it's Georgia-Pacific and Weyerhaeuser, and then the rest of the guys.

The full Nelson the industry's two forest products giants have on building products distribution is enough to depress any competitor; how would you feel if only two companies in your business were taking more than $2 out of every $5 generated?

John Caulfield
NHCN Executive Editor

But when one talks with the industry's second tier of building products distributors, there isn't that sense of dread one hears from retailers every time a major chain moves into their markets.

The reason, I suspect, is that commodities wholesalers went through as close to a depression as any one segment of this industry in the early 1980s, so they are less prone to get rattled by consolidation or price cutting or the prospect of going head to head with the monoliths.

Most distributors would like to forget those days of 1981 through 1984, when the industry's umbilical cord was firmly attached to a housing market whose vital signs were barely audible. Home building fell to a low of 1.3 million starts in December 1982, and the distribution pipeline was flooded with products no one could use.

The situation was bleak enough for the president of one Midwest distributor to assure me he hadn't jumped out of the window "yet" when I asked him how business was.

Over the following four years, though, many of these distributors discovered that servicing the home improvement market was not only a way out of their cyclical malaise, but also was pretty fair business on its own. In fact, it was the distributors who recognized this trend before contractor-oriented dealers, many of which have since begun catering to consumers. More recently, when retail-oriented dealers began going after remodelers, building products distributors were positioned to reap the rewards.

The home building industry is currently in the same boat it was six years ago: the seasonally adjusted totals for April were 1.36 million new units. But panic is the farthest thing from most distributors' minds; in fact, many are thriving primarily because they've been able to switch their companies away from home building and more towards the home improvement sector. And that segment moved closer towards these distributors, too.

This is evident almost everywhere. Wood sold for remodeling and repair is now about equal to that sold for home building. Products that 10 years ago would never have been made it at retail—particularly in the millwork area—are now commonly found in home improvement centers. In many ways, distributors can take credit for this product expansion.

This isn't to say that life's a bed of roses for commodities wholesalers. A survey of its members conducted for *NHCN* by the National Lumber and Building Materials Association still finds them anxious about mergers, making money in a low-margin world, and competing against the hardlines co-ops' expansion into building products distribution. And the specter of G-P and Weyerhaeuser still looms over the industry like the World Trade Center that gets bigger every year.

But building products distributors are a resilient lot. They're finding new ways—some way—to survive.

—John Caulfield

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Regional Manager Richard J. Harrigan Jr.
Washington 17735 Striley Drive, Ashton, MD 20861, 301-774-3895
Manager, Correspondent Kenneth Rankin
Japan Diamond-Friedman Ltd., Chain Store Age News, Japan, 1-4-2 Kasumigaseki, Chiyoda-ku, Tokyo, Japan, 504-6750

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Editorial Inquiries
Questions and comments regarding editorial material published in National Home Center News should be directed to the Editor, National Home Center News, 425 Park Ave., New York, NY 10022.

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"Hi, Mr. Stockwell. How's the A-frame shingling coming along?"

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BUILDING PRODUCTS WHOLESALERS

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Building products wholesalers feel squeeze in a crowded field

Smaller companies turn to better service and added incentives to stay alive

By Tim O'Malley

Building products wholesalers are facing tough times due to increasing competition from manufacturers with distribution arms and from both hardlines and building materials co-ops.

Small- and mid-sized distributors are fighting back by expanding their services, which have come to include everything from providing training for salespeople to installing computer terminals to keep dealers up to date on inventory levels.

These efforts, though, come at a time when the gulf between the big and small players in building products distribution is widening. "We're seeing a polarization of the industry," said Mark Kasper, executive vp of Amerhart Ltd., a mid-sized wholesaler in Green Bay, Wis. "The small, specialty operators on one side and the Georgia-Pacifics and the Weyerhaeusers on the other."

Proof of Kasper's claim came right from the horse's mouth, as the distribution division of Georgia-Pacific accounted for nearly two-thirds of G-P's $9.5 billion total sales volume last year, $2 billion more than the division generated from wholesaling in 1987.

Meanwhile, two hardlines buying groups—HWI and ServiStar—billed their dealer-members for nearly $1 billion in lumber and building materials sales last year, products distributed through a network of small and large commodities wholesalers with which the co-ops have aligned.

"Today, every sale is a fight," said David Bernstein, owner of Mid-State Lumber in Branchberg, N.J., who indicated that service may be the key to survival. "We can get a delivery out in two days, and not many competitors can claim that yet."

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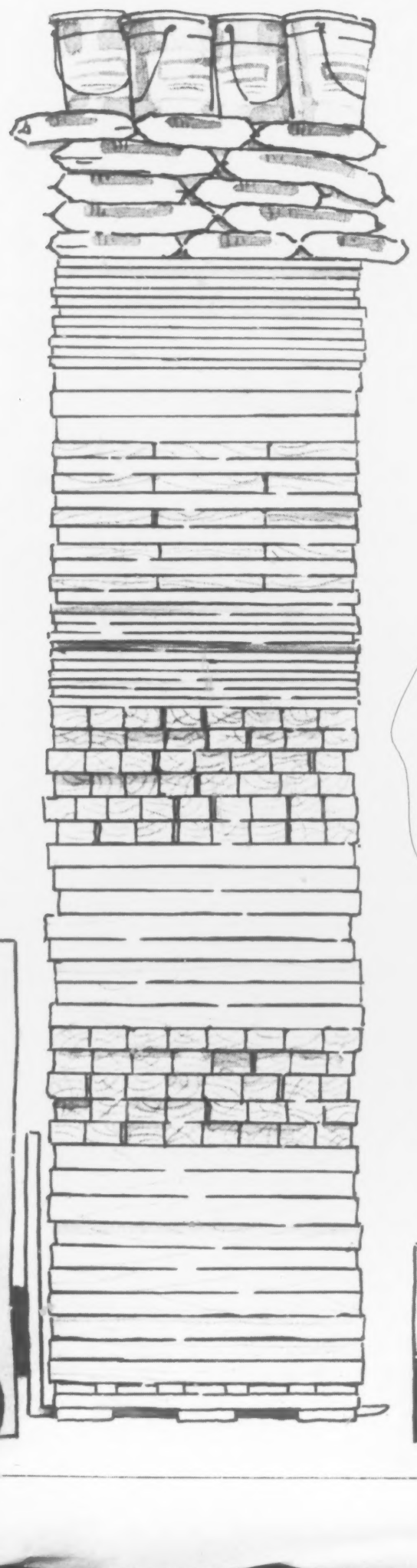
BUILDING PRODUCTS WHOLESALERS

Service becomes key to success as big players crowd the market



That "fight" is taking place on a battlefield where consolidation and expansion are the latest weapons. "You need to get big," advises one Florida distributor who has increased from 25 distribution centers to 114 in 10 years.

Like that distributor, Ply-Gem Industries, already one of the East Coast's biggest commodities wholesalers, last year acquired the $100 million SNE Enterprises, which specializes in millwork.

And Irvine, Calif.-based Sequoia Supply plans to add 12 distribution centers—all on or near the Atlantic Seaboard—to its 33-DC empire by year's end through its acquisition of Grip-Rite Corp.

Survival 'tactics'

Consequently, some building products wholesalers are scrambling to find a niche by, for example, seizing on an unusual commodity. Others seek to piggyback with co-ops in their own market as well as other markets, to offer dealers broader products and services.

Kasper of Amerhart, which itself concentrated on expanding its national accounts program in 1988, said that with another four distribution centers, his operation could break out of the limitations of operating locally and target regional business. This pays off particularly when the customers are large retail chains with several locations, he said.

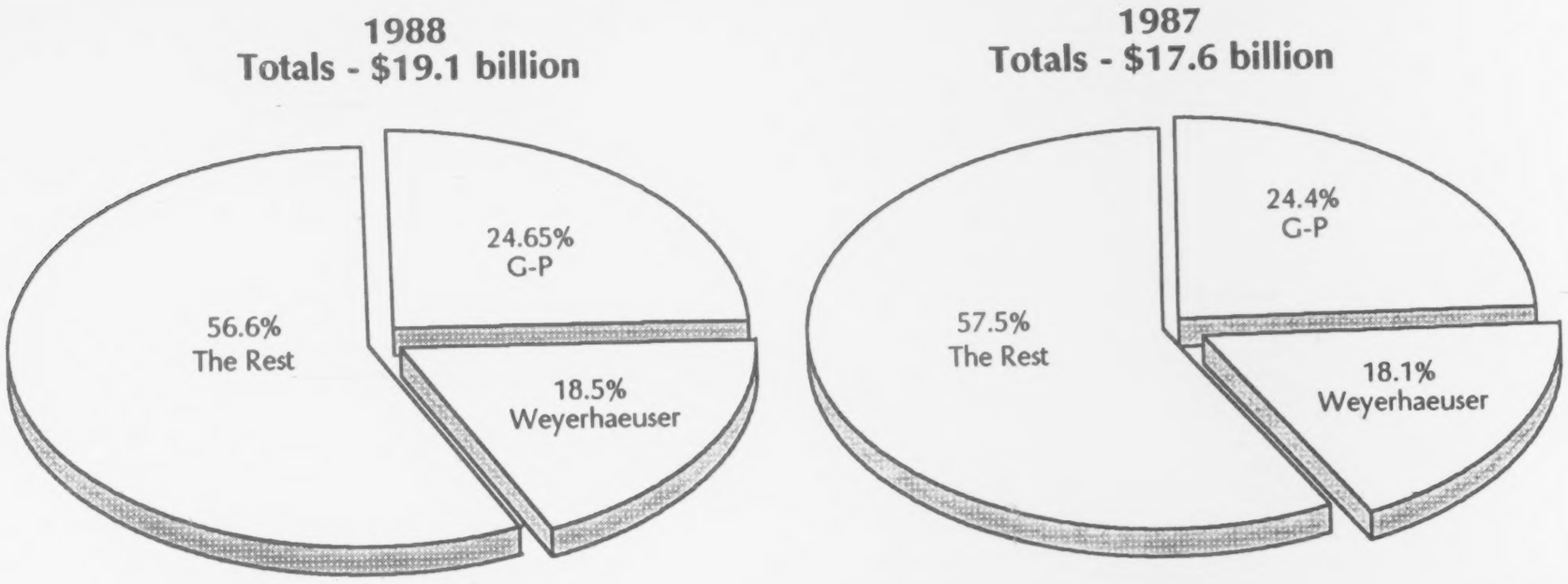
In addition, the company is already partners with two building materials co-ops—the Lumberman's Merchandising Corporation (ELMCO) and Progressive Affiliated Lumbermen (PAL)—and it is actively seeking alliances with hardlines distributors.

Speaking as if Amerhart needed to keep running to avoid being swallowed up by larger distributors, Kasper said, "We did $50 million in business last year, but I'm not sure that makes us safe at all."

Survival techniques by other companies take many forms:

- Iron City Sash and Door in Pittsburgh is looking to equip a third of its 1,000 dealer-stores with personal computers by the end of the year. Aimed at keeping customers abreast of Iron's City's inventory position, the computers, at least in theory, increase orders;
- Schultz, Snyder & Steele Lumber Co., Lansing, Mich., has "de-emphasized" dimensional lumber in favor of specialty products. George Miller, vp-finance, said the company did not have to compromise gross margins because of the large markup on the specialty items;
- Another Pittsburgh-based distributor, Snavely Forest Products, is investing heavily this year in engineered wood products and all species of pine.

"We're strictly in wood products," said company president Chris Snavely when asked whether he was pondering any cross-distribution agreement with hardlines wholesalers;



• Tewksbury, Mass.-based wholesaler Holt and Bugbee has just built a mill that is expected to triple its production of hardwoods this year to 21 million board feet.

Riding out rough times

Along with taking more creative steps, wholesalers seem to be placing greater emphasis on traditional business values.

"Service is our strongest suit," said H. A. Almond of the Tampa, Fla. wholesaler Booker & Co. "Unlike the big boys, we're independent—we move fast and we're not tied down by bureaucracy."

Almond said he has turned down several offers to sell his business, which has been off 10 percent in sales each year for the last three.

"We're hanging in there," he said, "trying not to get dismayed" by competition from industry leaders like Georgia-Pacific.

The importance of service was echoed by Bernstein of Mid-State Lumber Co. He said factors like quality and reliability distinguish his operation from the best of what co-ops and manufacturers can offer—low prices.

Mid-State is also relying on unusual timber products, such as fire treated lumber or camphor cedar, to generate more business. "You've got to keep in touch with the market," he said.

In the Green Bay area, according to Kasper of Amerhart, three small- to mid-range distributors have folded in the last two years, largely because they were ignorant of the rapidly changing market.

Seeing the writing on the wall, Kasper said, smart wholesalers have been successfully riding out the rough times by selling specialized products like pre-hung doors, prefinished paneling, ceiling tiles or special types of molding.

Taking the sale of specialty products one step further, Lumberyard Supply Co. of St. Louis offers seminars to dealers on selling everything from paneling to ceiling tiles. Fifty percent of the company's business is in repair and remodeling products.

Still, according to the distributor's vp Robert Sparks, the St. Louis market is more competitive these days because it has been crowded by rural operators seeking business. "Housing starts are down in the sticks, so they have to look elsewhere," he said.

The downturn in new home construction plays right into the hands of some operations like Ply-Gem and Sequoia, which have heavy investments in repair and remodeling products.

Environmental impediments

Ply-Gem has stepped up its inventory of windows with the apparently well-calculated acquisition of SNE Enterprises.

"The energy crisis and the consumers' love for light inside their homes has really helped us," said Ply-Gem spokeswoman Diane Cady. But she adds that rising interest rates could force a reduction in home-equity loans. "We're cautiously optimistic."

> **'Service is our strongest suit. Unlike the big boys, we're independent. We move fast and we're not tied down by bureaucracy.'**
>
> **—H. A. Almond,** *president, Booker & Co.*

However, Paul Hylbert of Sequoia Supply believes the home repair market will remain indefinitely stronger than the home construction industry.

He said what is more in doubt, at least for West Coast-based wholesalers, is the impact of environmental issues on the lumber and building materials industry.

The controversy over the creation of a habitat for spotted owl, for one, is expected to cause mill closings, price hikes and market shortages (*NHCN*, May 22). And there are some indications that similar environmental movements could spring up in Texas and Arizona.

Over the long run, said Hylbert, this issue alone could change the face of the industry in the West.

Globalized market

But domestic environmental concerns could play a less significant role in shaping the building products distribution industry than the globalization of the market itself, as a number of company executives reported stiffer competition coming from wholesalers here owned by British, French and Canadian operators.

As one Florida wholesaler put it, "It's not that they're any better at our business. They just make for more players out there."

ANNUAL CENSUS

BUILDING PRODUCTS WHOLESALERS

The Top Building Products Distributors

Rank 1988	Rank 1987	Company Name	Annual Sales $ Millions 1988	Annual Sales $ Millions 1987	Annual Sales % Change 1987-1988	Number of Distribution Centers 1988	Number of Distribution Centers 1987	Avg. Inventory Carried in $ Mil 1988	Avg. Inventory Carried in $ Mil 1987	Number of Active Accounts 1988	Number of Active Accounts 1987	% of Sales From Home Centers 1988	% of Sales From Home Centers 1987	Number of Trucks 1988	Number of Trucks 1987	Number of Employees 1988	Number of Employees 1987
1	1	**Georgia-Pacific,** Atlanta	4,700	4,300	9.3	144	153	375	350	44,000	40,000	80	80	1,325	1,100	4,640	4,200
2	2	**Weyerhaeuser,** Tacoma, Wash.	3,536	3,200	10.5	57	63	NA	NA	28,000	30,000	14	NA	NA	NA	20,000	15,000
3	3	**North Pacific Lumber,** Portland, Ore.	544	566	−3.9	27	25	NA	NA	7,000	7,000	37	50	NA	NA	373	366
4	4	**Hughes Supply,** Orlando, Fla.	501	432	16.0	114	114	89	NA	10,000	10,000	NA	NA	400	400	2,200	2,200
5	7	**Huttig Sash & Door,** Chesterfield, Mo.	470	351	33.9	67	43	90	62	13,000	8,000	NA	NA	275	160	2,340	1,780
6	5	**MacMillan Bloedel Building Materials,** Atlanta	425	400	6.3	17	17	NA	NA	6,800	6,800	45	40	140	127	315	302
7	8	**Ply-Gem Industries,** New York	384	313	22.7	35	30	NA	NA	3,000	2,200	NA	NA	NA	NA	1,852	1,700
8	6	**Universal Forest Products,** Grand Rapids, Mich.	354	376	−5.9	25	20	NA	NA	350	NA	50	40	48	40	1,550	1,566
9	12	**Morgan Distributors,** Mechanicsburg, Pa.	312	281	11.0	11	11	38	35	4,500	4,500	35	35	94	94	899	890
10	13	**Allied Building Products,** East Rutherford, N.J.*	310	281	10.3	35	34	NA	NA	15,000	15,000	10	10	300	NA	1,000	873
11	11	**Canfor Building Materials,** New Westminster, B.C.**	300	286	4.9	21	21	NA	NA	NA	NA	85	85	NA	NA	NA	NA
12	9	**Furman Lumber,** Boston[1]	291	306	−4.9	13	13	27	25	9,350	9,000	30	30	34	34	313	374
13	14	**Sequoia Supply,** Irvine, Calif.	285	275	3.6	33	33	34	32	9,881	10,102	75	75	153	148	741	722
14	15	**Adam Wholesalers,** Cincinnati	261	242	7.9	13	11	29	29	5,500	5,000	40	35	132	116	858	810
15	16	**Boise Cascade,** Boise, Idaho*	254	238	6.7	9	9	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
16	19	**Bradco Supply,** Avenel, N.J.	245	195	25.6	25	20	22	17	NA	NA	4	1	225	200	675	575
17	10	**International Paper,** Prairie Village, Kan.*	240	300	−20.0	17	21	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
18	17	**Palmer G. Lewis,** Auburn, Wash.	224	217	3.2	15	15	16	16	5,000	5,000	30	30	75	75	515	500
19	21	**Norandex, Inc.,** Cleveland	200	170	17.6	67	61	35	35	15,000	13,500	20	20	150	150	700	700
20	22	**ABC Supply,** Beloit, Wis.	200	170	17.6	68	57	NA	NA	50,000	34,000	21	21	500	450	700	607
21	18	**Owens-Corning Fiberglas Supply,** Toledo, Ohio	200	200	0.0	20	20	NA	NA	NA	NA	NA	NA	40	40	165	NA
22	28	**Bunzl Building Material Services,** Indianapolis[2]	190	140	35.7	30	25	NA	NA	8,000	6,000	80	80	100	90	450	375
23	24	**Pacific Coast Building Products,** Sacramento, Calif.	168	148	13.5	20	20	NA	NA	NA	NA	100	100	NA	NA	2,000	2,000
24	23	**Western International Forest Products,** Portland, Ore.	164	150	.3	1	1	3	3	900	850	40	30	0	0	125	120
25	20	**Cascade Empire,** Portland, Ore.	161	173	−6.9	NA	NA	NA	NA	1,200	700	NA	NA	NA	NA	51	55
26	27	**Green Forest Lumber,** Toronto**	156	140	11.4	4	3	14	12	300	200	NA	NA	2	2	230	230
27	26	**Hager Group,** Grand Rapids, Mich.	150	140	7.1	15	15	17	17	2,500	2,500	NA	NA	37	32	427	365
28	29	**Robert & Dybdahl,** Des Moines, Iowa	142	138	2.9	11	10	8.1	6.7	1,200	1,200	NA	NA	32	31	240	217
29	31	**Pacific Supply,** Oakland, Calif.	122	115	6.1	20	20	13.5	13.5	3,000	2,700	5	5	110	100	275	275
30	36	**Sherwood Lumber,** Roslyn, N.Y.	120	91	31.9	9	6	12	9	780	620	15	10	0	0	35	25
31	25	**Noranda Building Materials,** Toronto**	113	143	−21.0	5	9	9	12	1,500	2,500	70	90	20	20	90	130
32	30	**Rivendell Forest Products,** Englewood, Colo.	108	130	−16.9	9	6	16.5	12	440	417	68	62	8	5	44	57
33	32	**Apex Supply,** Atlanta	107	105	1.9	15	15	NA	NA	NA	NA	NA	NA	NA	NA	400	400
34	34	**Iron City Sash & Door,** Pittsburgh	105	95	10.5	6	5	20	20	2,000	1,500	50	50	50	50	350	300
35	33	**Addison Corp.,** Atlanta	105	100	5.0	17	15	20	22	6,000	4,500	20	15	120	100	700	650
36	35	**Babcock Lumber,** Pittsburgh	102	92	10.9	7	6	NA	NA	1,600	1,500	75	75	NA	NA	400	350
37	43	**Plunkett-Webster,** New Rochelle, N.Y.	95	75	26.7	5	4	NA	NA	1,500	1,300	NA	NA	25	21	250	220
38	40	**Sabbeth Industries,** Deer Park, N.Y.*	90	82	9.8	7	7	NA	NA	3,000	3,000	50	50	NA	NA	220	200
39	41	**Empire Wholesale Lumber Co.,** Akron, Ohio	88	81	8.6	9	6	7.2	4.6	320	320	18	16	NA	NA	53	48
40	37	**Lawrence McCoy & Co.,** Worcester, Mass.	86	90	−4.4	1	NA	5.6	4.2	NA	NA	NA	NA	NA	NA	NA	NA
41	38	**Cameron Wholesale,** Waco, Texas	82	83	−1.2	15	15	NA	NA	1,100	1,100	70	74	100	130	460	550
42	45	**Snavely Forest Products,** Pittsburgh	79	70	12.9	5	5	6.8	5.8	3,300	3,300	85	85	15	15	135	122
43	39	**Futter Lumber,** Rockville Center, N.Y.	76	82	−7.3	7	8	NA	NA	350	330	5	5	0	0	18	20
44	44	**Diamond Hill Plywood Co.,** Darlington, S.C.	73	71	2.8	10	10	10.3	9.6	5,500	5,000	65	62	43	40	269	255
45	48	**Kelleher Lumber,** San Rafael, Calif.	72	60	20.0	4	4	8	7	1,100	1,050	25	20	15	13	120	119
46	47	**Spartanburg Forest Products,** Spartanburg, S.C.	71	61	16.4	2	2	8.3	7.8	NA	NA	87	NA	11	NA	140	NA
47	46	**Prudential Metal,** E. Dedham, Mass.	67	67	0.0	7	7	10	11	1,920	1,660	48	48	40	35	155	150
48	49	**A.P.I. Supply,** Minneapolis	66	60	10.0	7	5	NA	NA	2,000	2,000	30	30	23	23	125	125
49	51	**Orepac Building Products,** Wilsonville, Ore.	65	58	12.1	4	4	7	6.5	2,000	2,000	20	20	28	26	140	130
50	52	**Louisiana-Pacific,** Portland, Ore.	60	55	9.1	9	10	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
51	50	**Booker & Co.,** Tampa, Fla.	60	60	0.0	4	4	NA	NA	1,200	1,000	NA	NA	33	33	140	100
52	57	**Mid-State Lumber,** Branchburg, N.J.	57	49	16.3	3	3	3.3	2.9	400	400	100	100	17	15	68	62
53	58	**Wolf Distributing Co.,** York, Pa.	56	48	16.7	7	7	4.6	4.2	1,300	1,300	100	100	90	90	130	125
54	56	**Aetna Plywood,** Arlington Heights, Ill.	55	50	10.0	4	3	4.5	4	NA	NA	40	40	20	20	110	100
55	54	**Redwood Empire,** Morgan Hills, Calif.	54	52	3.8	3	3	3	3	750	750	60	60	13	13	180	150
56	53	**Daigle Lumber Ltd,** Boucherville, Quebec**	52	54	−3.7	6	7	8	9	2,500	2,500	90	90	24	26	169	178
57	65	**Lumbermen's,** Grand Rapids, Mich.	50	42	19.0	6	6	7	6	2,500	2,500	75	75	18	18	115	100
58	42	**Ajayem Lumber,** Walden, N.Y.	50	80	−37.5	2	4	NA	NA	NA	NA	35	35	15	15	90	130
59	62	**Hearin Forest Industries,** Portland, Ore.	49	45	8.9	NA	NA	NA	NA	NA	NA	20	20	0	0	49	45
60	68	**Seven D Wholesale,** Gallitzin, Pa.	48	40	20.0	5	4	4	4	550	400	66	66	25	25	85	85
61	63	**Benco Building Products,** Greenburg, Pa.	48	44	9.1	3	3	NA	NA	750	750	100	100	50	50	130	130
62	61	**Amerhart Ltd,** Green Bay, Wis.	47	46	2.2	3	3	5.5	5.5	1,500	1,500	30	30	25	25	105	95
63	71	**M.L. Sandy Lumber Sales,** Corinth, Miss.	46	38	21.1	12	11	NA	NA	3,000	3,000	NA	NA	25	25	NA	NA
64	72	**All-Coast Forest Products,** Chino, Calif.	45	37	21.6	2	2	6	6	300	300	100	100	17	17	150	150
65	60	**H.M. Stauffer & Sons,** Leola. Pa.	45	47	−4.3	2	2	4	4	2,000	2,000	60	60	NA	NA	365	360
66	59	**Pacific Steel & Supply,** San Leandro, Calif.	45	47	−4.3	1	1	7	7	2,000	2,000	25	25	6	6	70	70
67	55	**Dallas Wholesale Builders Supply,** Dallas	45	50	−10.0	1	1	4.5	5.5	1,350	1,250	6	4	20	25	100	135
68	67	**Weekes Forest Products,** Minneapolis*	44	41	7.3	1	1	NA	NA	1,200	1,200	NA	NA	NA	NA	NA	NA
69	69	**Associated Building Centers,** Cape Girardeau, Mo.	42	40	5.0	3	3	4	4	185	185	100	100	NA	NA	75	75
70	64	**JGA Corp.,** Doraville, Ga.	41	43	−4.7	6	5	2.9	2.5	NA	NA	51	51	35	35	100	95
71	92	**Hampton Lumber,** Portland, Ore.[3]	40	20	100.0	2	2	3	3	790	NA	NA	NA	0	0	37	37
72	82	**Cedar Creek Wholesale,** Broken Arrow, Okla.	40	30	33.3	3	3	3.5	2.5	1,000	800	20	20	25	22	38	30
73	76	**Building Material Distributors,** Galt, Calif.	40	35	14.3	5	4	4.5	3.2	2,000	2,000	60	60	24	NA	184	164
74	70	**Willco,** Atlanta[4]	40	38	5.3	8	10	3	4	100	100	20	20	10	17	40	60
75	74	**Lumber Products,** Portland, Ore.	39	36	8.3	6	5	4	4	2,500	2,500	35	35	24	20	113	90
76	66	**Schultz, Snyder & Steele Lumber,** Okemos, Mich.	39	42	−7.1	4	4	4.2	3.8	NA	NA	NA	NA	9	8	95	85
77	75	**Diehl Lumber,** Salt Lake City	38	35	8.6	1	1	5	5	450	450	50	50	35	35	95	85
78	78	**Glesby Building Materials, Inc.,** Van Nuys, Calif.	38	35	8.6	2	2	NA	NA	3,500	3,500	40	40	25	23	100	95
79	73	**Arling Lumber,** Cincinnati	37	36	2.8	3	3	4	4.6	600	450	70	70	8	8	40	40
80	81	**Fessenden Hall,** Pennsauken, N.J.	36	33	9.1	1	1	2.6	3.1	NA	NA	10	10	13	11	85	83
81	77	**Klumb Lumber,** Jackson, Miss.	36	35	2.9	2	2	0.75	0.75	600	600	60	60	8	8	70	70
82	79	**Bloch Lumber,** Chicago	35	34	2.9	5	6	10	10	450	450	60	60	NA	NA	18	18
83	80	**Reisen Lumber,** Union, N.J.	34	33	3.0	2	2	5	4.8	2,700	2,600	40	40	15	15	99	99
84	91	**A.W. Hastings of Maine,** Enfield, Conn.	33	22	50.0	4	4	1.3	1.4	NA	NA	10	10	11	10	75	60
85	93	**Rounds & Porter,** Wichita, Kan.[5]	30	20	50.0	6	8	7	NA	1,200	1,000	100	NA	48	30	131	125
86	86	**Allied Plywood Corp.,** Alexandria, Va.	30	25	20.0	5	5	3.5	3.5	2,000	2,000	0	0	20	20	92	88
87	88	**Universal Suppliers,** Selinsgrove, Pa.	30	25	20.0	5	3	2.7	2.1	0	0	0	0	44	26	132	98
88	84	**Boddington Lumber,** Colorado Springs, Colo.	28	28	0.0	5	5	NA	NA	1,000	1,100	20	20	12	12	100	100
89	83	**Metropolitan Lumber,** Oak Brook, Ill.[6]	28	29	−3.4	0	0	0	0	75	75	38	38	0	0	11	11
90	85	**Genesee Reserve Supply,** Rochester, N.Y.	26	26	0.0	1	1	NA	NA	250	250	100	100	NA	NA	25	25
91	90	**Kaibab Distribution,** Phoenix, Ariz.	25	23	8.7	3	3	3.5	3.5	340	340	10	10	NA	NA	110	110
92	89	**Holt & Bugbee,** Tewksbury, Mass	25	24	4.2	1	1	6	6	800	800	20	18	6	6	150	115
93	87	**United Plywoods & Lumber,** Birmingham, Ala.	25	25	0.0	4	4	2.6	2.9	1,600	1,600	70	61	21	21	98	122
		Totals	19,070	17,636	8.1	1,246	1,186										
		Averages	205	190		13.4	12.8										

*NHCN estimate
**Quoted in U.S. = $1.16 Canadian
[1]Includes data from Slaughter Brothers, Dallas, which was purchased in 1987
[2]Includes data from Standard and D.J. Inc., each purchased in 1987
[3]Hampton Lumber is primarily a lumber broker
[4]Owned by Williams Brothers Lumber Co., Atlanta
[5]Acquired by Louisiana-Pacific in 1988.
[6]Metropolitan is an office wholesaler.

ANNUAL CENSUS

BUILDING PRODUCTS WHOLESALERS

NBMDA Survey

Consolidation worries building products distributors

The industry's consolidation, and its ability to make money when retailer loyalty is weakening and direct shipping by manufacturers is expanding, have many building products distributors concerned about their future viability.

More than four out of five distributors still believe that the need for their products and services will increase over the next several years. But they express genuine competitive fear of the hardlines co-ops that are muscling in on their territory and are, as one wholesaler put it, "apprehensive" about their evolving relationship with suppliers who sidestep wholesalers to reach retail customers.

These were some of the opinions voiced by wholesalers responding to an exclusive survey conducted last month for *NHCN* by the National Building Material Distributors Association in New York. Scott Snyder, NBMDA's director of communications, said questionnaires were distributed to 273 of the association's members, of whom 159 responded.

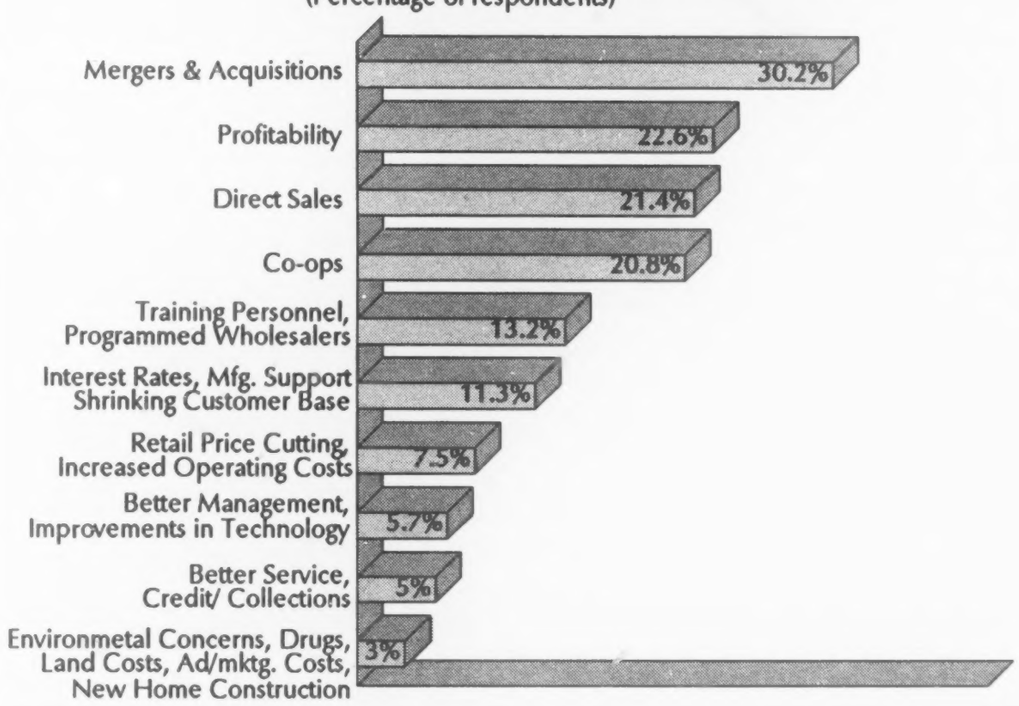
There appears to be a degree of unanimity among building products distributors about what their major challenges will be as they enter the next decade: mergers and acquisitions, profitability, and direct manufacturer sales.

More than half of the survey's respondents thought it was "very likely" or "some-

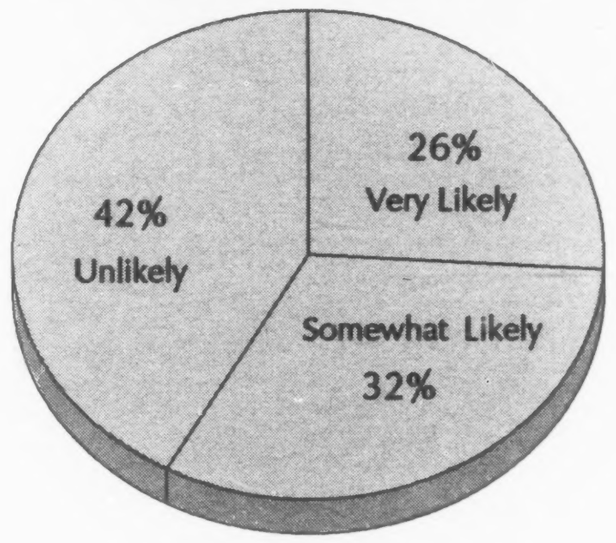
(Continued on page 27)

Question: What are the key issues facing building products distributors?

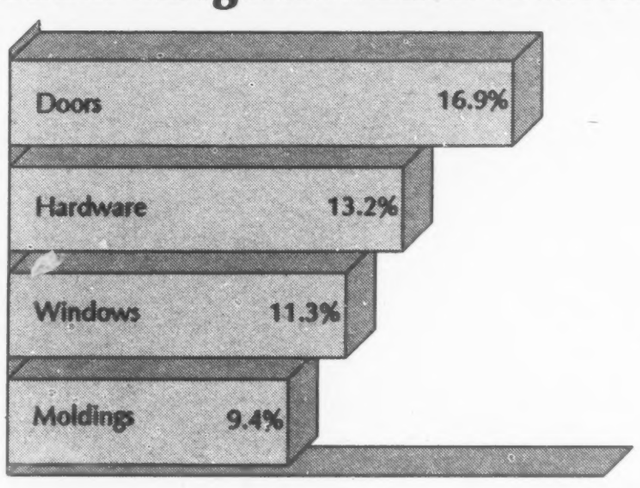
(Percentage of respondents)



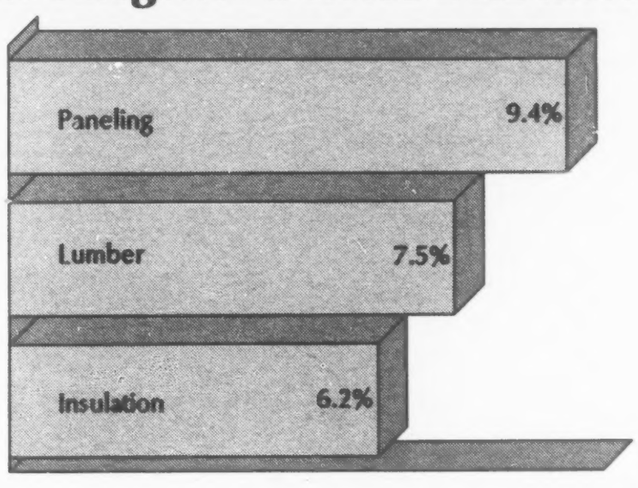
Question: How likely is it that your company would be part of an acquisition within 2 years ?



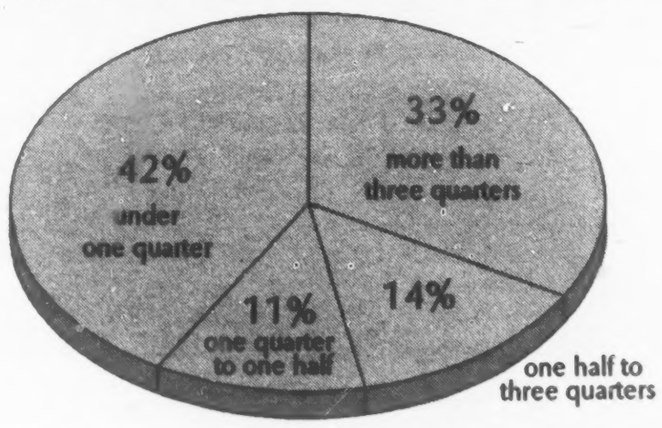
Product Categories Added to Inventory



Product Categories Deleted from Inventory



Question: With what portion of your retail customers do you have Just-In-Time relationships ?



But just 20 percent of building products distributors use electronic data interchange with customers. And only 7 percent currently employ bar coding, with only 42 percent expecting to use coding within the next three years.

ANNUAL CENSUS

BUILDING PRODUCTS WHOLESALERS

Mergers and volatility worry building products distributors

(Continued from page 20)

what likely" that their companies would be part of an acquisition over the next two years, most likely involving another distributor.

These prospects don't sit too well with some wholesalers, who see the consolidation of the industry contributing to the deterioration of their relationships with vendors and dealers. "Buy outs and take-overs have produced chaos," said one respondent.

That chaos has caused building products distributors' profits to become volatile. The profitability of this sector has also been adversely affected by the expansion of the hardlines co-ops and by a change in attitudes among suppliers and dealers that places a higher premium on price over marketing.

"With only a few exceptions, our suppliers have agreed to sell all co-ops—even the ones who carry no inventory," complained one building products distributor. "When you have only the investment of an office, it's easy to cut the price."

Another distributor spoke of the "somewhat adversarial" relationship that has developed between his company and its dealer-customers because "dealers think distributors can live on only fill-in business."

With dealer loyalty waning and vendors showing what one distributor called a "take it or leave it" attitude, building products wholesalers have had to rethink their market approach.

One area where they have taken the initiative has been in the expansion of their product assortments, particularly in the higher-margin millwork categories. More than 37 percent of those responding have added either doors, windows or moldings to their mix. Another 13 percent have begun distributing hardware.

Distributors are also looking to rid themselves of their "commodities-only" image. Nearly one in 10 respondents said his company had dropped paneling from its inventory, and a surprisingly high 7.5 percent said they had eliminated lumber.

But product changes alone are not going to keep building products distributors afloat against the buying groups. "The co-ops have changed the game," said one distributor. "Being national or regional, they can do much more for the dealer in the way of circulars, co-op ads, shows, etc. Our only answer is more service—which we are doing."

A component of that service indisputably will be quicker, cheaper delivery, which will be facilitated by better communication between distributors and their suppliers and dealers.

To that end, distributors are cultivating "Just In Time" (JIT) arrangements with their clients. A full one-third of the survey's respondents said that they have established JIT agreements with 75 percent or more of their customers.

For a great majority, the communication of this arrangement is transmitted over the telephone or by facsimile machine. However, there does not appear to be a groundswell of interest among building products distributors to engage in electronic data interchange (EDI) with dealers.

Only one in five of the respondents was using some form of EDI currently.

There was a lack of enthusiasm expressed by distributors when it came to bar coding, which may be understandable given the nature of the products they carry, but it also betrayed a certain reluctance to examine whether such advancements could improve their market positioning.

Only 7 percent of the respondents currently employ bar coding of any sort, and only slightly more than 2 in 5 said his company planned to start using bar coding within the next three years.

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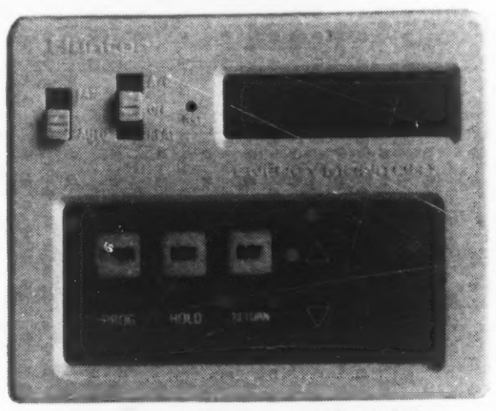

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*Source: "A Profile Of The Retail Market For Adhesive And Glue Products, 1987 (Wholesaler served retailers)" Prepared by: Marketing Information and Research Services, National Retail Hardware Association/Home Center Institute.

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ANNUAL CENSUS

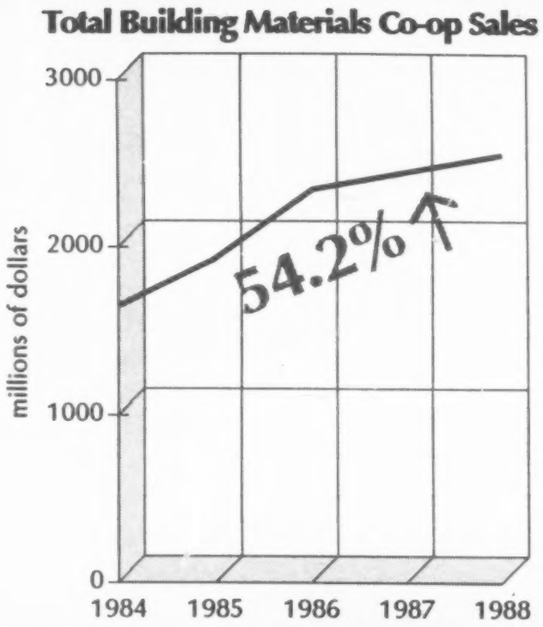
BUILDING PRODUCTS WHOLESALERS

Sales growth slows for commodities buying groups

Company Name	Total Sales $ Millions 1988	1987	% ch.	% LBM 1988	1987	No. dealers 1988	1987	HC sales as % of total 1988	1987	Employees 1988	1987
Lumbermen's Merchandising Corp.,* Wayne, Pa.	**1,012**	920	10.0	**80**	80	**650**	600	**45**	45	**190**	175
Builder Marts of America,** Greenville, S.C.	**422**	500	−15.6	**80**	80	**1,910**	1,850	**15**	13	**207**	199
Central Builders Supply, Sturgis, Mich.	**280**	252	11.1	**100**	100	**545**	525	**80**	80	**54**	50
ENAP, New Windsor, N.Y.	**250**	239	4.6	**100**	100	**185**	145	**70**	60	**56**	60
Philadelphia Reserve Supply, Croydon, Pa.	**171**	160	6.9	**90**	90	**188**	189	**82**	80	**50**	42
Progressive Affiliated Lumbermen, Grand Rapids, Mich.	**169**	162	4.3	**100**	100	**208**	216	**100**	100	**22**	18
Allied Building Stores, Monroe, La.	**168**	138	21.7	**80**	80	**161**	160	**40**	40	**52**	50
Independent Builders Supply Association, Smithfield, N.C.	**87**	89	−2.2	**85**	85	**104**	100	**70**	65	**11**	11
Totals	**2,559**	2,460	4			**3,951**	3,785			**642**	605
Averages	**320**	308	4	**89**	89	**494**	473	**63**	60	**80**	76

*NHCN Estimate
**Spun off Builderway & Enterprise Computer divisions in 1988

Total Building Materials Co-op Sales



% Growth 1984 to 1988

LMC	84.7
BMA	(15.3)
CBS	129.5
ENAP	121.1
Phila.	114
PAL	94.3
Allied	20.0
IBSA	31

	$Mil. Total Sales	1984 Co-op Sales per dealer	$Mil. Total Sales	1988 Co-op Sales per dealer	% change
Lumbermen's Merchandising Corp.	548	999,363	1,012	1,556,923	56.3
Builder Marts of America	498	366,445	422	220,942	(43.2)
Central Builders Supply	122	305,000	280	533,333	74.9
ENAP	113	982,608	250	1,351,351	37.0
Philadelphia Reserve Supply	140	457,142*	171	909,574	98.6
Progressive Affiliated Lumbermen	87	494,318	169	812,500	64.0
Allied Building Stores	80	933,333	168	1,042,478	11.8
Independent Builders Supply Assoc.	68	80,000	87	855,762	7.0

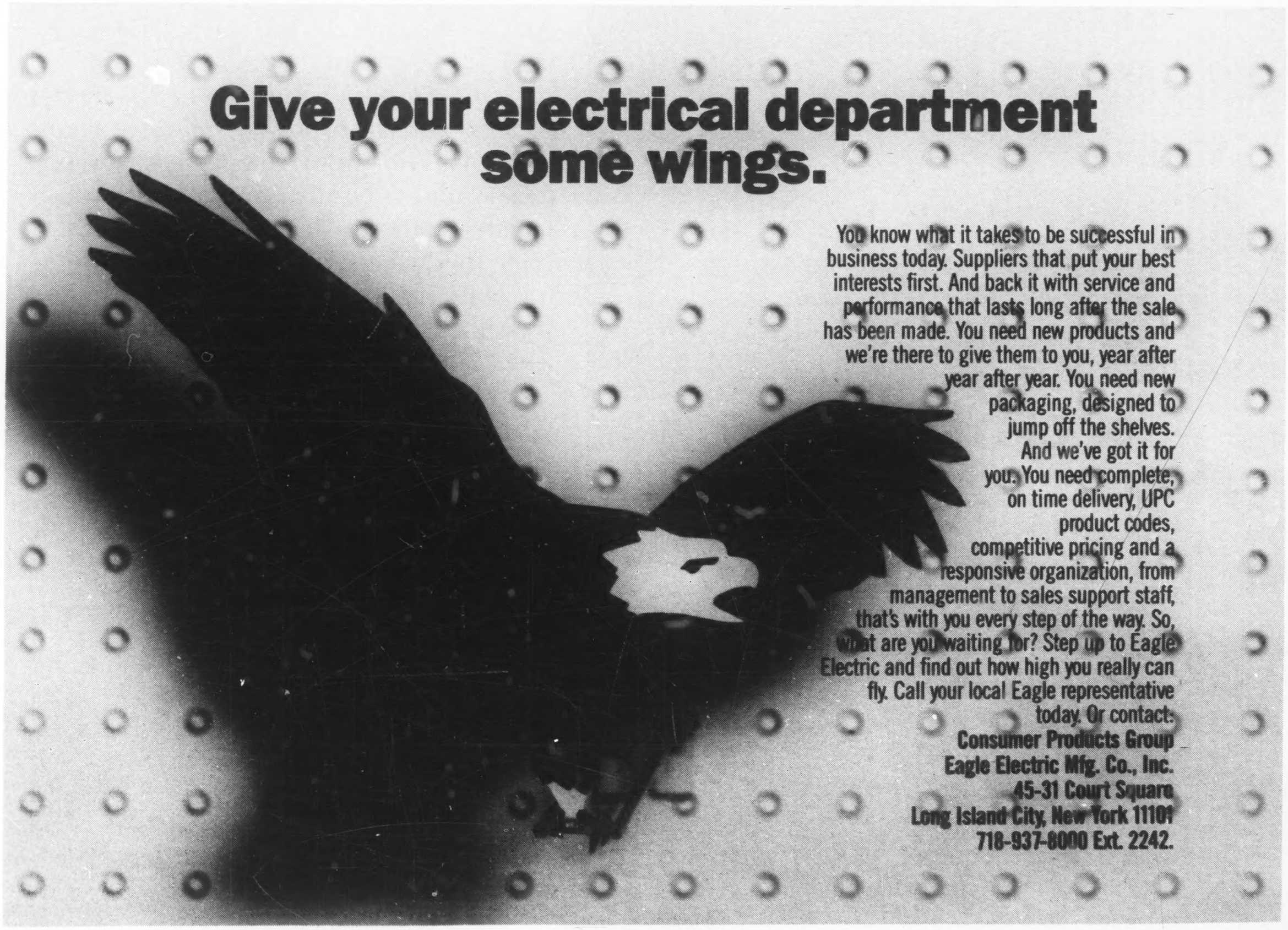
*NHCN estimate

Sales gains among the building products buying groups were slower than they've experienced in recent years. However, their combined volume topped $2.5 billion for the first time.

Over the past five years, these companies' importance to independent dealers has grown significantly, as shown by the 54 percent increase in aggregate volume by the eight companies.

This is also manifested by the amount of business these buying groups are getting out of each of their dealer-members. The most remarkable performance in this respect has come from Lumbermen's Merchandising Corp. (LMC) which, by *NHCN* estimates, in 1988 got more than half-again the sales it generated from a typical member in 1984.

From a sheer growth standpoint, CBS and ENAP have outperformed the rest of the pack.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ANNUAL CENSUS

BUILDING PRODUCTS WHOLESALERS

Co-ops enjoy steady growth and sales gains in 1988

LMC exceeds $1B in sales for first time in 1988

The 54-year old Lumbermens Merchandising Corp. (LMC) continued its strong growth in 1988, with its estimated sales exceeding $1 billion for the first time.

According to information reported last year to Dun & Bradstreet, LMC serves 261 members operating an estimated 650 stores located predominantly east of the Mississippi river. Its board members reflect this diversity, as they are drawn from 10 states stretching from Vermont to Florida.

Lumber products, including plywood and millwork, together account for 60 percent of LMC's sales. The remaining 40 percent comes primarily from roofing, insulation and builders' hardware.

Like many of the building products buying groups, one of LMC's strengths is the consistency of its management. Its president, William Lanen, joined in 1977 from Evans Products Company Door Systems in Detroit. Prior to that he was with Owens-Corning Fiberglas.

J.A. Buchanan, vp-forest products division, joined one year later from Georgia-Pacific Corp., and was previously with MacMillan Bloedel Corp.

Other officers include Richard B. Noble, previously with O-C; and John V. Reznor, who came from Abitibi-Price Corp.

Builder Marts of America eyes further expansion

Buoyed by a new chairman and ceo, plus partnerships with manufacturers and other wholesale distributors, Builder Marts of America is looking at further expansion in 1989.

Last year it joined with the hardware wholesale distributor Amdura—formerly Coast-America—in the latter's dealer "independence" program, under which stores are retrofitted with new signage and other amenities aimed at increasing business.

BMA had already entered a similar agreement with Sequoia Supply and, last February, it signed with Georgia-Pacific as well.

"We're trying to align ourselves with the best in manufacturing and distribution," said Paul Dodge, BMA's vp-service and dealer division, who hinted that more deals would be inked this year.

BMA last year added another 40 members to its list of dealer stores, now numbering 845. Dodge said another 40 to 50 accounts are expected by the end of 1989.

Dealers will see a growing commitment from BMA to bring them more repair and remodeling business. Said Dodge, "We will devote considerable research and development to this area this year and next."

"As an industry," he continued, "building products has the wherewithal to do the best job serving those who undertake repair and remodeling jobs."

Last year's most noteworthy personnel change at BMA was the appointment of Richard Ingram as chairman and ceo. He replaced Clarence Bauknight, who continues to serve on the company's board.

Central Builders Supply gears up recruitment plans

Central Builders Supply (CBS) made a concerted effort in 1988 to aggressively pursue business instead of waiting for it to pour in.

"We were mainly a service-oriented company, just sitting and waiting for the phone to ring," says Bret Pobanz, CBS president and ceo. "Now we kind of added sales to service by seeking prospective members."

To accomplish that, CBS this year hired Curtis Roberts, whose sole responsibility is to attract new members.

The billing of its members for distribution of lumber, roofing, insulation and gypsum accounts for 80 percent of the cooperative's business, with lumber taking up 60 percent of CBS's total share. Although that product mix came about naturally, Pobanz adds, lumber accounts for three-fifths of most of the CBS members' business "so I always thought we should be doing about that amount."

Sales last year were up about 12 percent and Pobanz expects an increase of at least 15 percent in 1989.

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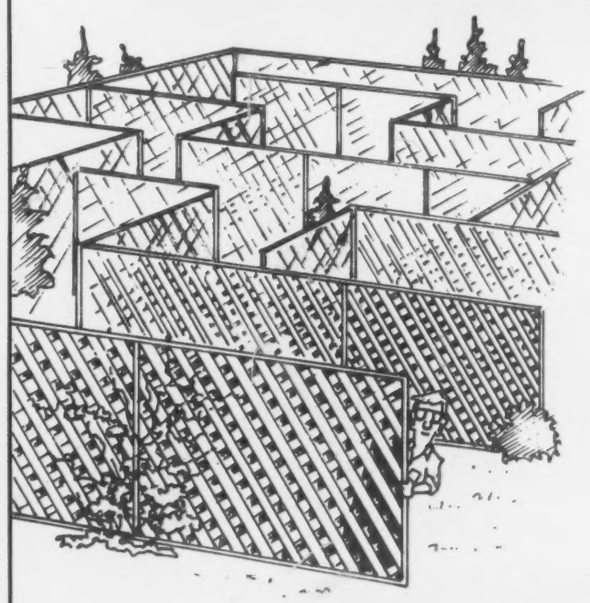

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ANNUAL CENSUS

BUILDING PRODUCTS WHOLESALERS

Co-ops push ahead despite adverse climate, economy

ENAP expands dealer base 22% in 1988; sales up

The East Coast lumber and building products buying group, ENAP, posted another record sales year in 1988 and expanded its dealer base by 22 percent.

ENAP broke new ground last year by signing an agreement with Emery Waterhouse, the hardlines distributor based in Maine. ENAP will use Emery Waterhouse as its main hardlines supplier.

"Dealers are looking for more on-time shipments of smaller quantities," explained Wayne Wiggleton, executive assistant at ENAP. "It also allows Emery [Waterhouse] to get into larger dealers who didn't use that type of service."

In 1988, Wiggleton said, ENAP added new members primarily at the end of 1988. He characterized the new and existing ENAP dealers as the "cream of the crop of lumber dealers . . . who do well even in a bad year."

While much of the area felt the impact of the declining home construction market, Wiggleton noted that ENAP dealers in New England and other East Coast markets continued to experience strong growth.

Local economy doesn't hinder Allied's sales

Allied Building Stores, which posted record revenues in 1988, expects that its expanded purchasing department will help Allied to achieve double-digit sales again this year.

A 10 percent sales increase is forecast in 1989 after a 21 percent gain, to $168 million, last year, said Laddie Woods, president of the 161-member co-op.

The results are especially significant given that the not-for-profit organization's members are located throughout the depressed Oil Patch region.

Despite the locally beleaguered economy, Allied managed to grow as a result of "an 8 percent increase in [new] dealerships and a number of newly implemented buying programs," Woods said.

Two employees were added to Allied's purchasing department last year, boosting the work force to 52 persons.

Forty percent of the co-op's members are home centers and 60 percent are contractor-oriented lumberyards. These members bought 58.5 percent of their products from Allied in 1988, a 3.5 percent gain over the previous year's 55 percent level.

Allied's members are located in Arkansas, Louisiana, Mississippi, Oklahoma, Kansas and Texas. Allied's product mix is virtually all lumber, building products and hardware.

About 4,500 stockkeeping items are available from Allied's 65,000-square-foot distribution center, but those items represent only 9 percent of total sales. Most volume is direct ship. Allied provides dealers with 25,000 skus.

PAL enjoys sales growth despite drop in members

Despite a slight reduction in its membership, Progressive Affiliated Lumbermen (PAL) continued to enjoy expanding sales in 1988.

"We're doing quite well, with good steady growth," said Bill Danzig, PAL president. Sales to dealers increased by about 5 percent last year to $169 million in 1988. This was a considerable slowdown from the 25 percent growth of the previous year. However, Danzig reported that profits were up 9 percent in 1988.

Last year, PAL hired John Beers from outside the compa-

(Continued on page 38)

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ANNUAL CENSUS

BUILDING PRODUCTS WHOLESALERS

Expansion, increased member base, sales growth sought by buying groups

Dip in members doesn't hurt PAL's profits

(Continued from page 36)

ny as its first lumber department manager. This continues a trend towards departmentalization at PAL since the co-op hired its first commodities department manager three years ago.

Danzig expects better results in 1989 in the form of a 10 percent sales increase to dealers.

Warehouses key to distributor's growth last year

Philadelphia Reserve Supply, the $173 million building products co-op, has grown by over 560 percent in the last eight years from $26 million.

Situated in eastern Pennsylvania, the majority of its 188 members are located within a 50-mile radius in four states. It attributes much of its recent sales growth to the heavy use of its warehouse.

Unlike other co-ops, which rely on direct shipment, Philadelphia Reserve can supply lumber, insulation, gypsum roofing and paneling on a fill-in basis. Last year its warehouse sales increased by 26 percent, according to Chuck Messers, vp-marketing.

This year the company appointed Messers as its first director of marketing and intends to improve its shareholder relations, particularly with the medium and small volume dealers.

Although it will continue to add about a dozen new members each year, Messers said, "Our greatest potential is not in new members but in servicing who we have now."

"We can't compete day in and day out with Weyerhaeuser and Georgia-Pacific, but we want to be sure we're one of the four calls they make," he said "We want a chance to bid."

The buying group admits it is facing competition from the hardlines co-ops, which are adding building products to their mix, but maintains it still has the edge as it passes on the cash discounts to its members.

The company projects a growth rate of 8 percent for 1989. But the market has slowed considerably in March and April after a strong start.

Bad weather, crowded markets slow IBSA's sales

A combination of bad weather and overbuilt markets slowed sales for Independent Building Supply Association (IBSA) last year. But a late-1988 expansion into Tennessee could mean new growth markets, said Robert Matthews, IBSA's executive vp.

Matthews said that sales in first half of calendar 1988 were above average, even with bad winter weather. But in the second half, business to dealers in rural North Carolina, South Carolina and Virginia fell off as home building slowed. Business stayed strong, however, in coastal and metropolitan markets.

A major marketing effort last year expanded IBSA's distribution reach into eastern Tennessee by its signing up four contractor-based yards. Although much of the trade area was hit by huge amounts of rain last spring and early summer, he expects "fair" sales in 1989.

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ANNUAL CENSUS

BUILDING PRODUCTS WHOLESALERS

Dealers push sale of high-end shingles

Dealers are using many techniques to upgrade the sale of roofing shingles, and are pushing the mid-weight or heavy-weight laminated shingles to improve their margins.

They are targeting all types of customers by using a plethora of glossy literature sent by direct mail, holding in-store workshops and conducting job site demos.

All these efforts are designed to show how the premium quality roofing can be applied and the benefits of purchasing a product that costs just a few dollars per square more than the commodity tab.

This move is heavily supported by the suppliers who want to increase the penetration of the heavier weight shingles in a market where 90 percent of total sales still come from the basic commodity tab.

The pressure to upgrade is especially significant this year as retailers and suppliers alike find their margins greatly eroding on the commodity tab.

The basic three-tab roofing shingle increased in price to dealers for the first time in five years in 1988. Yet they were unable to pass the cost onto their customers; even though rises averaged only 50 cents per square, many builders refused to accept any price increase given the slower home building climate, and with the competitive retail climate they could find a source for less elsewhere.

Further price hikes in the commodity tab are expected this year because suppliers can no longer absorb the rising costs of raw materials, or compensate for them through efficiencies or new technology. The cost of fiberglass matte, for example, increased by 15 to 20 percent last year, which came on the heels of price hikes in asphalt that suppliers had had in previous years.

But in moving to high-end roofing products to improve margins, dealers may encounter new opposition from specialty distributors.

"It's not that the specialty distributors are taking a greater piece of the pie. But as home centers move into the upscale shingles, away from the fiberglass and organic three-tab, they are moving into the market of the specialty distributors," said Craig Woods, building Products buyer for Diamond Lumber, the Dallas-based chain.

Dealers are attracting additional customers among remodelers and buy-it-yourselfers by offering a broader range of roofing products in stock as well as through special orders.

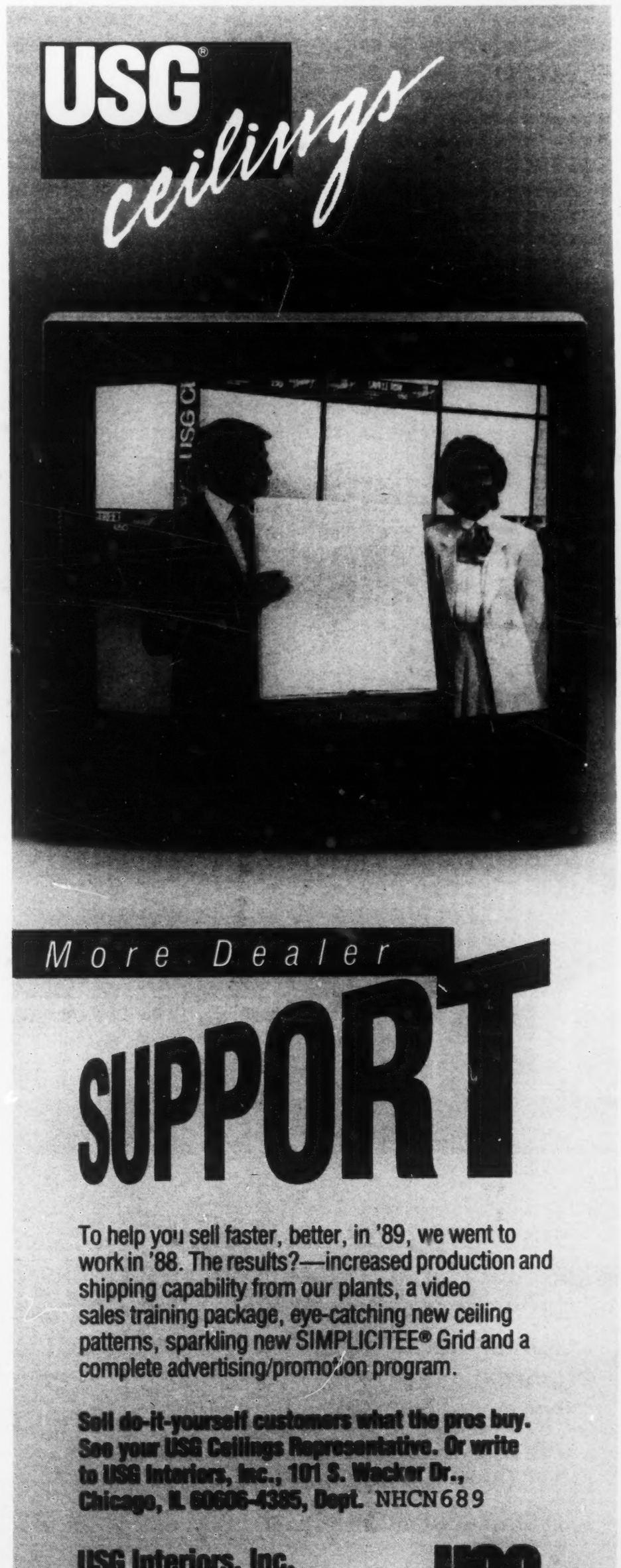
Lowe's, the North Wilkesboro, N.C., chain, stocks midweight laminated shingles in large markets and some heavy-weight shingle in others. It keeps a short lead time on its special orders so a builder who orders on Monday can be serviced at the job site on Wednesday, according to Greg Wessling, vp-commodities merchandising.

This year, National Roofing Week was extended to a whole month in May to let dealers tie in promotions.

Where do builders buy roofing? (%)
(based on survey of 275 builders)

Specialty distributors	54
Lumberyards	17
Mfg. direct	11
Commodities wholesalers	9
Home Centers	7
Other	2

Source: Quantum Enterprises, NHCN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ANNUAL CENSUS

BUILDING PRODUCTS WHOLESALERS

Reinsulation market hit by government energy codes

The new government model energy codes have fired up interest in the reinsulation market. But dealers are still waiting to see the effects on sales and margins.

Both CertainTeed and Owens-Corning Fiberglas are currently promoting the new recommendations from the Department of Energy (DOE) for existing homes and the Council of American Building Officials (CABO) for new homes.

According to DOE estimates, 42 percent of all residential housing has insulation levels below its recommendations. Vendors have therefore seized on these findings to persuade consumers to increase R-values and insulate new areas.

Rigid insulation manufacturers have also responded by modifying their marketing strategies. Foamular has sent out letters and promotions to its customers, and Dow will launch a new advertising campaign this fall to tie its products to the new recommendations.

Consumer interest is there but just how far it has percolated through to sales is still not yet evident.

Owens-Corning Fiberglas received between 200 and 300 calls a day in response to its TV spots highlighting the new DOE recommendations, which gave consumers a 1-800-GET PINK number to call for a free booklet on the recommendations. It also handled over 3,000 calls the week that its print ad broke in *Time* magazine, according to Jim Schmeideskamp, and now expects to distribute 250,000 copies of its energy booklet by the fall.

This June, CertainTeed will launch a new poster and DOE map which the dealer can stick on his contractor counter to increase awareness. The new aids follow the theme of how much insulation a home really needs. CertainTeed is also working with a number of dealers to produce ad slicks based on the DOE map.

Retailers have responded by carrying a wider range of fiberglass insulation products. For example, West Building Materials in Atlanta began selling R-25 insulation only last year.

Manville Corp., the Denver-based company, has streamlined its product assortment with new packaging that emphasizes higher R-value products, which were introduced at the National Home Center Show this past March.

Edward Hines Lumber changed its newspaper advertising last year to show customers its breadth of assortment and began running training seminars for its sales people with the DOE residential insulation recommendations.

But ironically, dealers' margins have not increased as the consumer and contractor upgrade.

"Basically, dealers are advertising the [higher R-values] more so those are competitively priced now too," said Greg Wessling, vp-merchandising, building materials at Lowe's.

Insulation sales are slow so far this year, but dealers are hoping for a stronger fall.

"The gas pumps are making people more energy conscious," said Robert Long, product manager for Dow. "They are starting to brace themselves for what might be coming down the road."

The extruded foam insulation market has received a boost from contractors and remodelers upgrading to its product from blackboard due to its thermal and moisture resistant qualities.

Also, the growth in vinyl siding and residing, particularly in the North, has led to more use of both the pink board produced by Foamular and the blue board of Dow's STYROFOAM brand insulation.

Both manufacturers are aggressively pursuing alternative raw materials, having agreed to phase out the use of chlorofluorocarbons (CFC's), which are depleting the ozone layer.

Dow intends to be the first company to begin using substitutes when it opens its new plant in Torrance, Calif., this July 1.

Insulation continues to be heavily promoted, and Knauf now has a year-round co-op advertising program, which pays dealers $150 for every truckload of insulation purchased.

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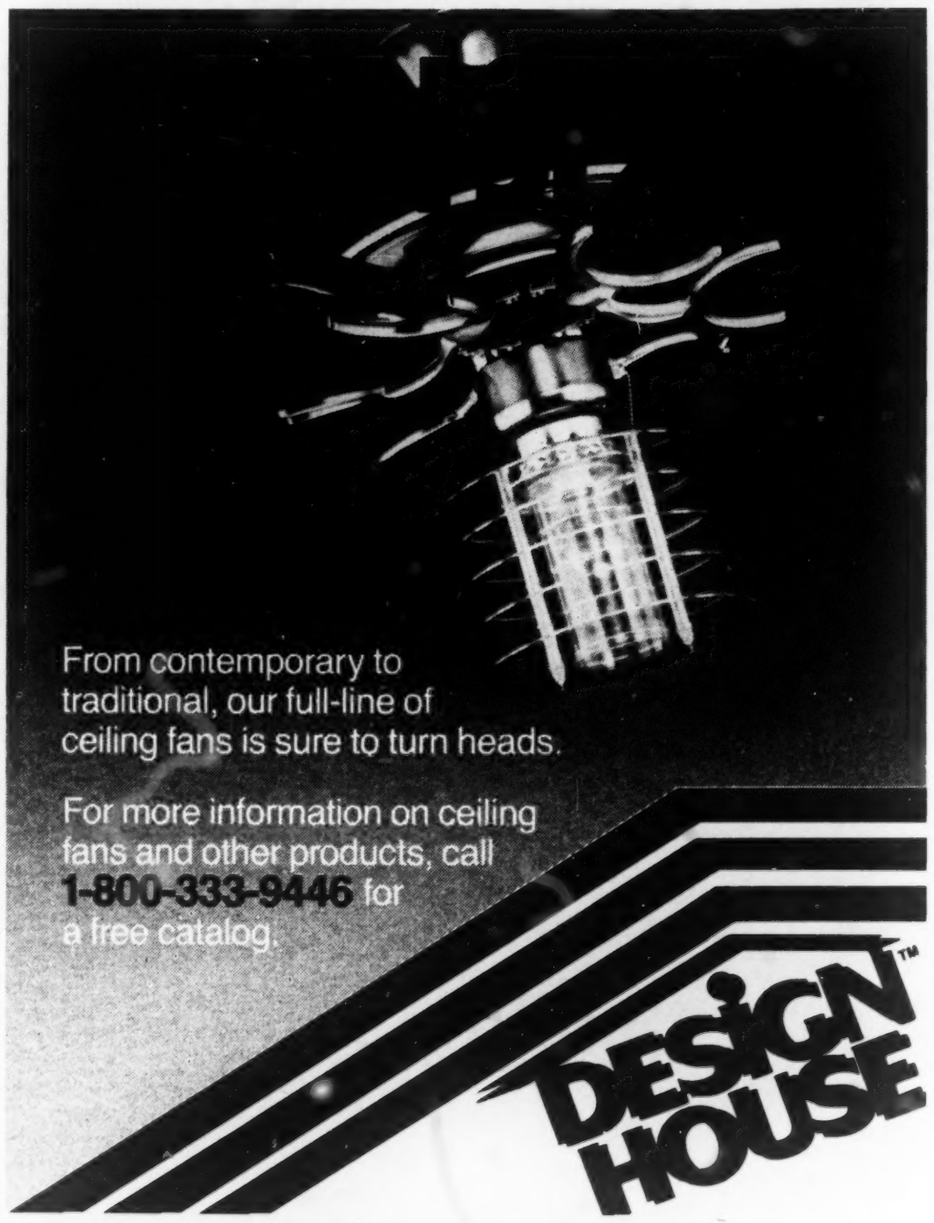
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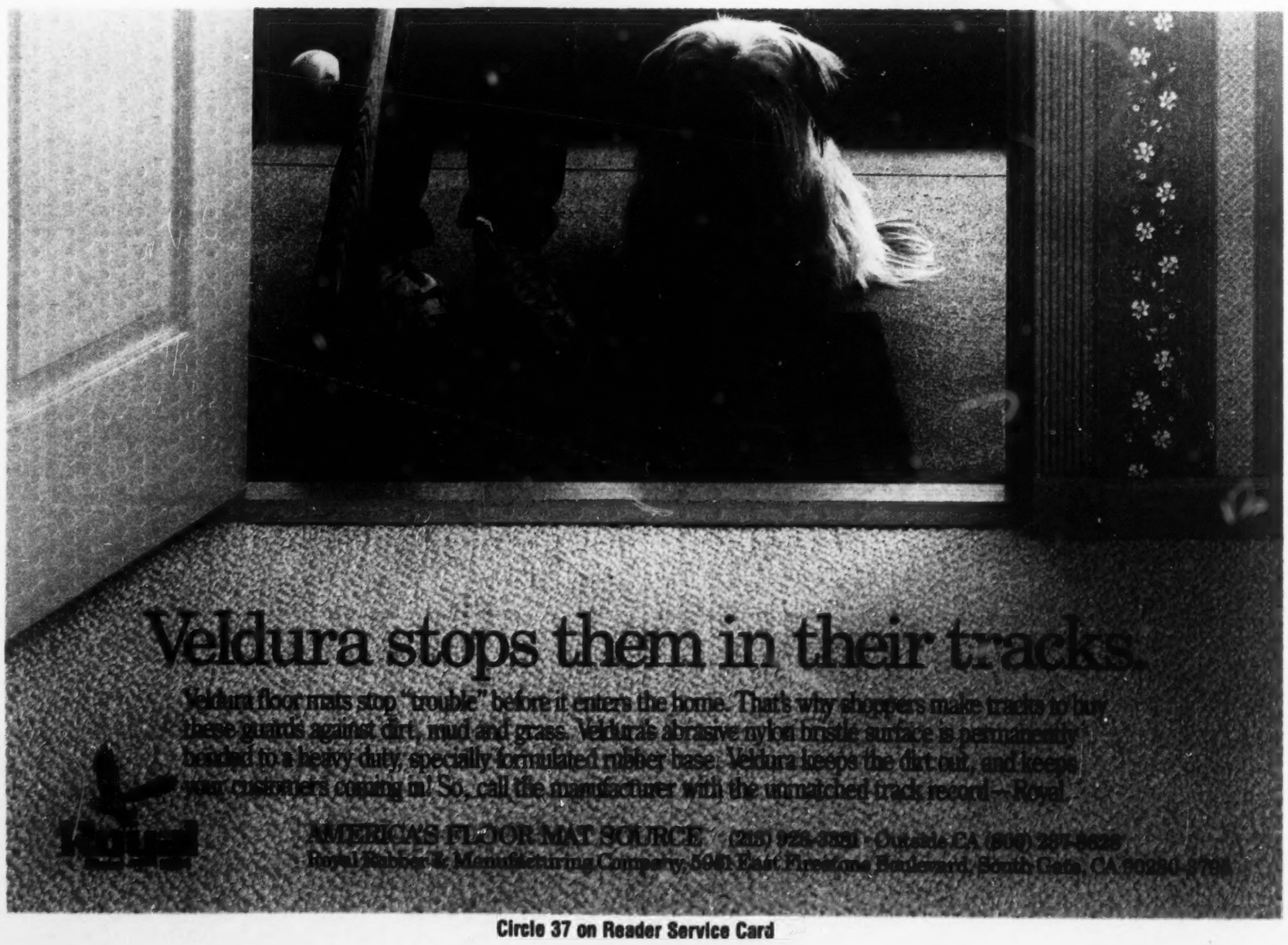
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ANNUAL CENSUS

BUILDING PRODUCTS WHOLESALERS

Flat new home sales boost window remodeling

Windows used in repair and remodeling projects outsold those involved in new home construction in 1988, continuing a trend which began the year before.

This is no big surprise, since new home sales remain essentially flat and home centers target repair and remodeling business more than ever.

The number of windows used in new construction declined by 4 percent to 17.1 million units last year, according to the National Wood Window and Door Association (NWWDA).

The number of windows purchased for repair and remodeling projects increased 9 percent for the same period, from 22.4 million to 25.1 million, NWWDA reported.

Last year was a "strong flat year," said a sales and marketing vp for one window supplier, who noted that it was coming off "one heck of a good year" in 1987.

Nineteen eighty-eight was a year of growth, but "not straight up," according to the spokesman of another manufacturer.

The wood window market continues to grow at the expense of aluminum, due, in part, to the soaring price of aluminum last year.

Aluminum windows used in new construction in 1988 still maintained the largest share of the market, with 47 percent versus 40 percent for wood and clad wood combined. But that is down from aluminum's 64 percent market share (versus 30 percent for wood and wood clad) in 1984, the NWWDA reports.

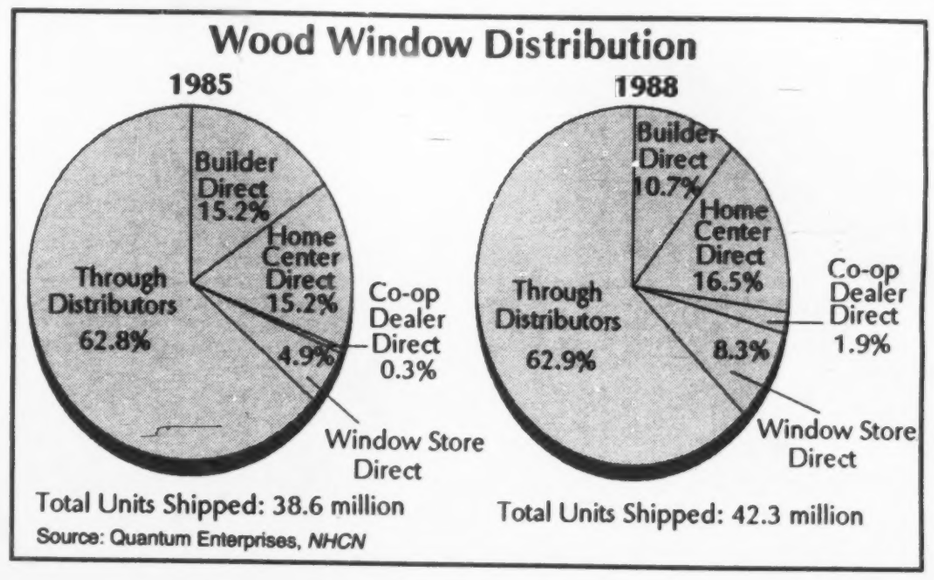
In repair and remodeling, aluminum frames lost market share to clad wood and vinyl. Vinyl made the strongest gains here, almost doubling its market share to 31 percent between 1984 and 1988.

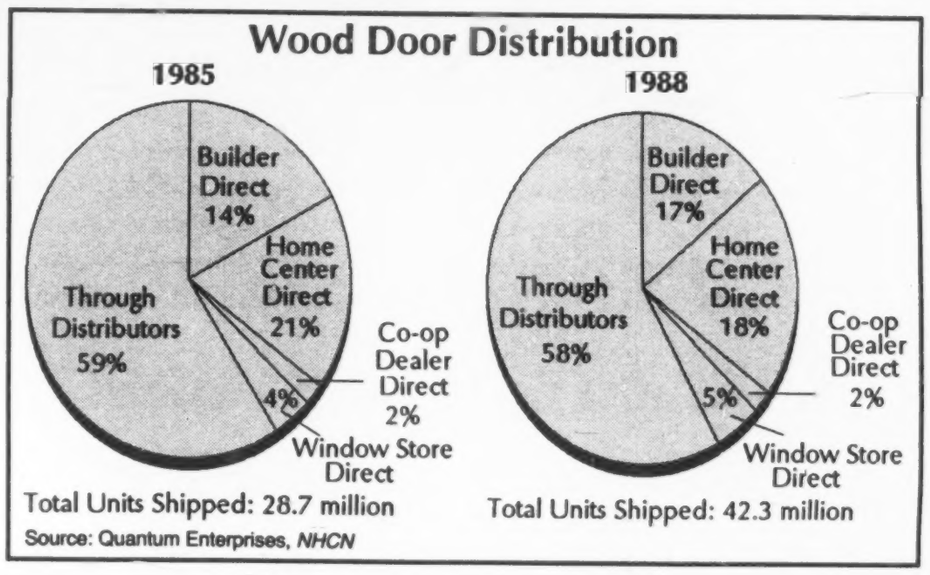
People who are shopping for these items are changing, and one supplier predicted 1989 may mark the beginning of different, more creative marketing techniques to get the attention of baby boomers. Since these consumers are often buying their second or third home, they are trading up and buying more upscale products, including windows.

Home centers' efforts lauded

That is one reason suppliers agree the more expensive custom-built and geometric-shaped windows continued gaining market share in 1988. While no one could peg what market share these windows enjoy, one vendor estimated their growth doubled in 1988.

"Retailers who make an effort, they're going to do just fine," said one supplier's official. But others who let the products sell themselves and allow displays to collect dust cannot expect profits in selling windows.





Consumers demand more style from door makers

Doors in 1988 continued to become more stylish and upscale, and no longer "just fill an opening," as one supplier put it.

"People want to make a personal statement" with the doors in their homes, said a spokesman with one door manufacturer.

That statement seems to be that people are no longer satisfied with the practical purpose of a door. They also view it as a decorative item, with one manufacturer's spokesman adding doors are being viewed as a"design element" bringing to mind a new art form.

"Like everything else, it's getting too complicated," joked Tom Deckard, vp and director of purchasing at Bender Lumber, the six-store dealer in Bloomington, Ind.

Suppliers say they saw more knowledgeable and price conscious people shopping for doors in 1988. But because they are price conscious, that does not mean they will not spend large sums on these items.

Bender Lumber recently sold a $2,700 package of two doors with sidelights for a main entryway. And one manufacturer noted that some of its wooden doors are routinely installed in homes worth more than $300,000.

"People are looking to improve their homes," said another supplier. "They're tired of leaking, drafty doors and windows. They're finding it's worth the commitment to quality."

With new home construction flat at best in 1988, repair and remodeling customers received more than their fair share of attention. One supplier estimated there was a 50-50 split last year between doors for installation in newly constructed homes and those for existing homes.

Patio doors also posted strong gains among repair and remodeling installations. The National Wood Window and Door Association (NWWDA) reports 2.9 million patio doors were used in repair and remodeling in 1987 and estimates 3.2 million for 1988, a 10 percent jump.

The number of patio doors for use in new home construction fell 6 percent, from 1.8 million to an estimated 1.7 million for the same period, the NWWDA said.

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ANNUAL CENSUS

BUILDING PRODUCTS WHOLESALERS

Raw material costs hike up price of synthetic molding

Historically less costly than wood molding, so-called synthetic "prefinished" molding is becoming more expensive than wood in some instances because of price hikes in raw materials.

Molding prices "did a flip-flop" last year as a result of dramatic increases in the cost of materials such as styrene resins used in non-wood molding, said Bob Simon, vp-sales and marketing for Gossen Corp., a Milwaukee-based supplier.

Whether made of synthetic materials or real wood, molding continued to be a popular DIY product for retailers who like its high profit margin potential.

The Wood Moulding and Millwork Producers Association (WMMA), Portland, Ore., reported that a record amount of wood molding—461.1 million board feet—was sold in 1987, the most recent year for which figures are available.

Retailers report that hardwoods are among the fastest-growing profiles in unfinished molding, with oak and poplar continuing to be in high demand.

The fashion trend in most DIY-oriented product categories is reflected in high-end moldings as well: larger-width moldings,which make a statement with ornate stylings and color variety, are especially popular.

The upgrading of molding's fashion orientation from "plain" to "decorator" has allowed DIY dealers to maintain the high gross-margin potential on molding profiles.

David Harries, advertising and corporate communications director for Abitibi-Price Corp., based in Troy, Mich., said it is likely that consumers "will go less-expensive on paneling and pay more for molding. We don't encourage dealers to put molding on sale because they don't need to."

"Consumers are getting more design-conscious" in their home remodeling projects, elaborated Harries, whose company recently introduced several additional color choices in its molding profiles.

Abitibi-Price is among several molding suppliers that have developed more sophisticated point-of-sale project literature to "give people an idea of how to use molding in different applications" related to wallcovering or paneling, he added.

In new product innovations, Marion, Va.-based DG Mouldings has addressed the consumer demand for high-quality wood molding at a less-expensive price point. DG Mouldings' recently introduced Oak Originals pine substrate, which has the appearance of stained oak, according to John Judd, marketing manager.

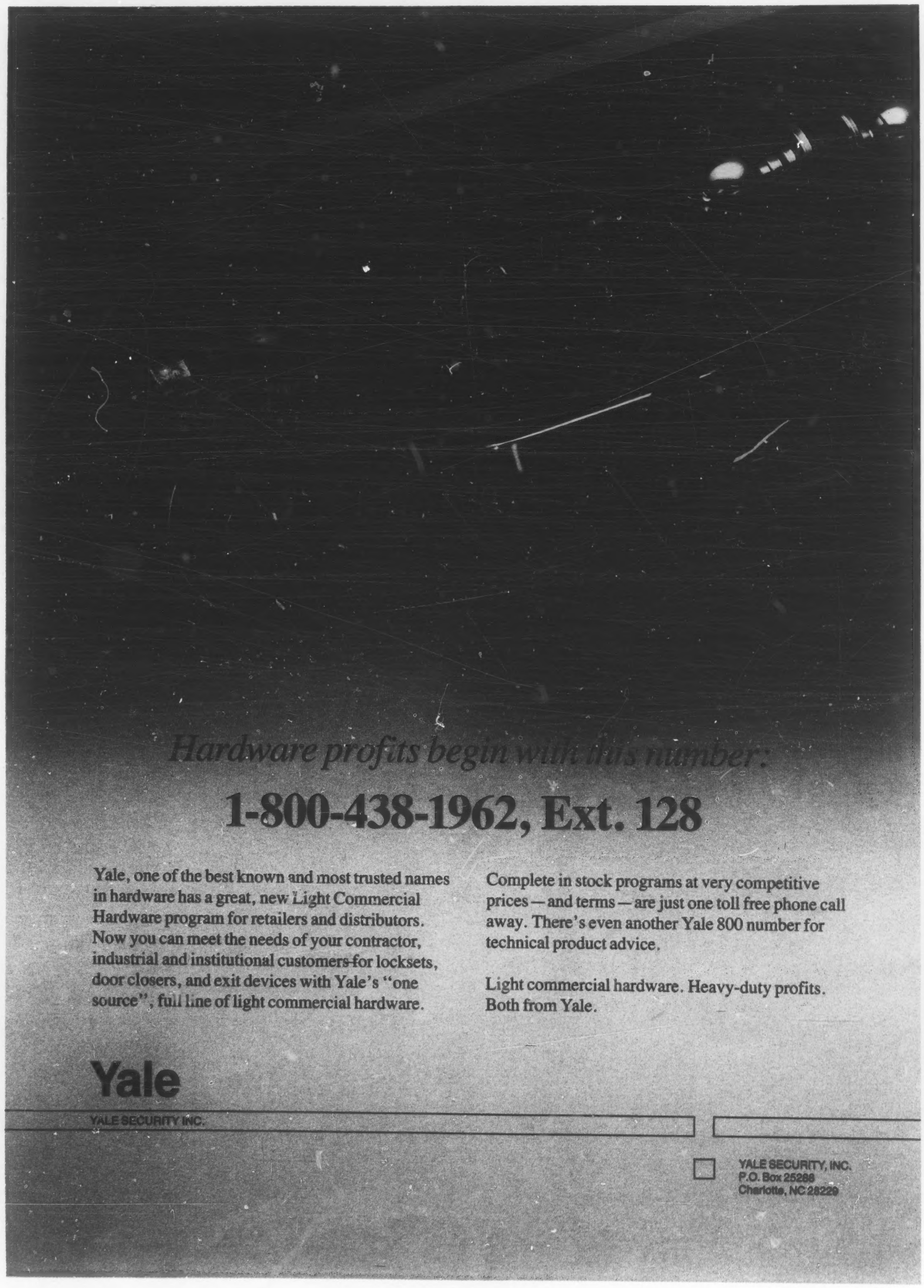
The philosophy behind the development of Oak Originals is "hassle-free molding" that looks even better than real wood because the molding does not have blemishes or other imperfections inherent in wood.

In-store merchandising techniques, meanwhile, are enhancing the ability of DIY dealers to expand molding sales.

DG Mouldings' Judd asserted that such traditional merchandising techniques as point-of-purchase brochures have taken on added importance to explain the convenience of molding now that it is available in ready-to-apply, prestained, precut lengths.

Looking to the future, manufacturers were reluctant to comment on potential price hikes this year related to the rising costs of raw materials.

"We're going to make 1989 as good as we can," said one manufacturer. Regarding price increases, he added, "The better retailers recognize that good vendors need to make a profit to be in business."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ANNUAL CENSUS

BUILDING PRODUCTS WHOLESALERS

Lumber dealers face dwindling supply, demand

After nearly a decade of furious activity, the repair and remodeling industry slowed in 1988, setting the stage for changes becoming even more pronounced in 1989.

Because of the changes last year, the lumber market today is at the unusual point of decreased demand and decreased supply. While retailers reported record sales last year, that may have been sales from products already in the pipeline, accounting for lower than expected prices at year-end. At store level this translates to flat or incrementally higher prices on dimensional lumber than in 1988, and increasing problems with supply.

Growth in the oriented strandboard (OSB) and waferboard markets last year combined with a decrease in the supply of western veneers. Veneer plywood panel demand for sheathing was down, although higher grade siding and sanded products sustained their high consumer demand.

Demand disappointing

But when it came to buying the products, "Demand, overall, was disappointing," explained Sherman Chao, forest products analyst with Salomon Brothers in New York. After a growth spurt in the 1980s and annual nine percent and 10 percent expansion, the repair and remodeling sectors slowed to just three and four percent growth in 1988.

The Western Wood Products Association (WWPA) reported a similar slowing. Sales of timber products reported to the WWPA fell by four to five percent in 1987 and a similar drop occurred last year. Fred Reseburgh, director of economics for the WWPA, pegged the falloff to a general slowdown in the economy as well as a decline in housing starts.

Continued slowdowns

For 1989, Reseburgh predicts continued slowdowns because of rising interest rates and federal timber set-asides in the West.

"In some instances slowdowns aren't that bad. It allows the industry to step back and assess itself," he said.

The greatest slowing in repair and remodeling work was in New England and New York, according to Hawk Furman, president of Boston's Furman Lumber, a national wholesaler. A combination of the high cost of land and overbuilt markets slowed demand there. But, adds Furman, markets like Florida, Michigan, Chicago and the West Coast are strong. Even Houston is coming back,as is Dallas.

Prices were "lackluster" in 1988, Chao observed. And that isn't expected to change much in the next several months.

"Roller coaster" year

At retail, prices have fallen from 1988 levels. A senior lumber buyer with a chain in Chicago described 1988 as a normal "roller coaster" year with prices rolling up in the first two months, falling the next two months and rising again during the May-July building season. Western spruce-pine-fir (SPF) started 1988 in the high $190 range. It finished the year in the mid-$170s, due primarily to a glut in the market.

Over the year a load of spruce 2x4s moved up and down $40. With most orders in for the 1989 summer season, wholesalers and retailers reported, prices moved just $20 from August 1988 levels.

However, demand and prices for specialized species, particularly clear Douglas fir, remained high. Clear boards, the home center select category, continued to be in good supply, said one leading manufacturer, although long-term supplies are shrinking.

"There's still a struggle for the mills to make a profit," said the senior manager in the West.

According to the American Plywood Association (APA), oriented strandboard and waferboard (OSB) production and sales grew in 1988 (over 1987) while veneer and structural panels sales fell over 1987. In 1988, 22.6 million square feet of ⅜-inch plywood were sold versus 22.9 million square feet in 1987. OSB sales grew to 4.6 million square feet in 1988 versus 4.1 million in 1987.

New labor contracts in Western mills caused some anxiety last year but, Chao explains, no appreciable price increases. Negotiations at Roseburg Lumber, Roseburg, Ore., broke down late last year, sending that mill into a protracted 1989 strike. The strike also affected an estimated 40 percent of the western sanded plywood market, originally adding some $50 to panel prices.

Out in the yards, treated lumber took a tumble last summer as temperatures soared and boards bent in the heat. Retailers said mid-summer deck projects were put on hold. But remodeling of existing decks, with new porch rails and spindles, opened up a new and growing category of such decorative wood specialties.

NRHA seeks dues hike as reorganization cuts services

(Continued from page 5)
publishes the monthly magazine *DIY Retailing*.

Up to $25 a year by 1991

After charging member dealers just 50 cents a year since 1900, the NRHA proposes to increase dues to $20 in 1990 and $25 in 1991, according to affiliates of the 23,000-member organization.

While the dues hike isn't assured, some affiliates believe members must pay more.

"It makes business sense that we'd move away from 50 cent dues when a stamp costs a quarter," explained David Loving, managing director and senior staff member of the NRHA. Loving said NRHA is continuing to expand its educational programs and is more proactive on the legislative front on behalf of retail hardware dealers.

For instance, Loving explained, the NRHA was one of three groups testifying May 17 before a U.S. Senate committee on tax code revisions concerning estate tax. Later that day NRHA representatives met a staff member of Vice President Quayle.

Affiliates charge each dealer $80 to $150 or more a year. Of that, $6 is returned to the NRHA: $5 for the dealer's annual subscription to *DIY Retailing*, 50 cents for dues and 50 cents to the association's Russ Mueller Foundation. The rest goes to cover operating and program costs of the affiliate.

Assn. posted 1988 loss

In addition to dues, NRHA revenue comes from its extensive educational programs, retail marketing and retail research services which include market study and site planning, and *DIY Retailing*. Last year, NRHA posted a net operating loss of $801,000 on net sales of $8.536 million, according to reports filed with the State of Indiana. In the last year, the NRHA expanded its income base by contracting with the major hardware cooperatives to supply training programs to co-op dealers.

As announced earlier, the NRHA is dropping several services. Probably the largest loss to individual NRHA dealers is the elimination of the co-op advertising collection program, several affiliates said. The program, operating for "a number of years," was not cost effective, Loving said. It will, however, continue the service for Cotter & Company dealers on Cotter's exclusive private label program.

The dropping of the store design program in Indianapolis was not unexpected. The dismissal of its manager Norm Newman came as a surprise, although Newman will remain in a consulting capacity.

While a leader in store design for many years, and a fixtures broker until 1984, demand for NRHA's Master Merchant program declined in the last four years. This was due to affiliates taking more control. And clients like the hardlines co-op Ace Hardware, for which NRHA was providing store remodeling, signage and inventory control services, decided to handle these in-house.

In addition, the Indianapolis office was seen as competition for services from affiliates like the Ohio, Western, Wisconsin, New England, Michigan and New York hardware associations. These associations developed store design staffs as long as 25 years ago. Many made the estimated $250,000 investment in computer-aided design hardware.

And sales from fixtures and accessories, the profit center in an otherwise regular member service, declined. In the last 10 years, according to Jeff Flora of the Western Association affiliate in Kansas City, Mo., demand for whole store designs and store fixtures declined while competition from new fixturing sources increased.

The NRHA also made money consulting for manufacturers on consumer shopping habits, specific product market share or new product feasibility. In its effort to focus more on retailers, the NRHA closed its manufacturers consulting program, transferring those projects to a new company headed by Brad Farnsworth.

Farnsworth was executive director of the association's Home Center Institute (HCI) until the May cuts. His new company, the Farnsworth Group, also employs Frieda West, former HCI director.

The HCI will be headed by Steve Johnson, NRHA's director of education and management support services. HCI becomes a part of the retail services division headed by Hal Marsolais, an association vice president.

B&D's second quarter earnings rise 22 percent, 16 percent higher than '88 2Q

By an NHCN staff editor

TOWSON, Md. — Second quarter earnings at Black & Decker Corp. rose 22 percent to $25.9 million while sales for the same period a year ago were up only 6 percent, not quite as high as the world's largest power tool supplier has been generating in previous quarters.

The earnings translated into 44 cents per share, a 22 percent jump over last year's 36 cents per share.

Second quarter sales of $571 million were 7 percent higher when what B&D called the "adverse effects of foreign currency" is excluded. Six-month sales rose 11 percent to $1.150 billion.

For the six months ended March 26, net earnings of $64.2 million, or $1.09 per share, were 23 percent higher than $52.3 million, or 89 cents per share, of last year.

B&D's power tool group enjoyed double-digit growth.

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Channel to sell its Southern units

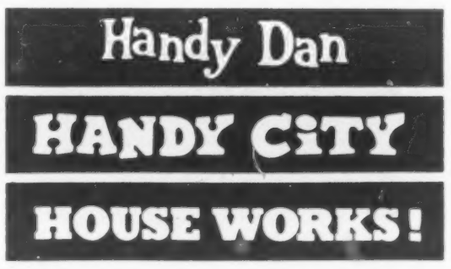
Handy Dan, Handy City, Houseworks packaged in real estate deal

By Tom Bagsarian

DALLAS — Channel Home Centers is on the verge of completing a deal to sell all of its Southeast and Southwest stores to a real estate company here whose plans to remarket the units and land could lead to the end of the Handy Dan operation as it now exists.

Knowledgeable real estate sources told *NHCN* in early June that Sun West Realty in Dallas will purchase Channel's 37 Handy Dan and HouseWorks! stores that remain open, and more than 50 Handy Dan and Handy City units Channel officials have closed since taking the company private in 1986.

Sun West, according to real estate sources, was already negotiating to sell the leasing rights for disposal of Channel's 13 Handy Dan units in Dallas and 19 in Houston to broker Henry S. Miller Co. in Dallas, and with another broker in Austin, Texas, for disposal of the three Austin units and eight in San Antonio.



Sun West reportedly has also discussed selling the leasing rights for disposing of closed Handy City units in Georgia with The Shopping Center Group in Atlanta.

A spokeswoman at Sun West confirmed the realtor had been negotiating to buy at least some of the Handy Dan stores from Channel, but she declined to offer specifics.

Neither officials at Channel's headquarters in Whippany, N.J., nor Paul Burkhart, executive vp of leasing at Sun West, would comment. Shearson Lehman Hutton, the New York investment firm that Channel retained early this year to seek a buyer for all or a part of the 147-unit chain, also would not comment.

The deal, which was to be closed June 1, was extended and had not been completed through the second week of June.

However, a source at the *Dallas Morning News* told *NHCN* that Channel's vp-advertising Irving Koffler informed that newspaper that the chain's last ads with it would be in July, which implies that now-opened Handy Dan units could cease operation then.

The terms of the agreement could not be discerned at press time. It also could not be determined whether Channel has sold the division outright, or whether Sun West and Channel have struck a contingency agreement, in which Channel's remuneration would depend on Sun West's ability to remarket the stores and/or real estate.

(Continued on page 56)

Denny bids adieu to Builders Square

By Tim O'Malley

SAN ANTONIO, Texas — Frank Denny, the last of Builders Square's three founders, has resigned as chairman and ceo of the 138-store chain.

A spokesperson for K mart, which owns Builders Square, said the 54-year-old Denny resigned May 26, six years to the day after he launched Home Centers of America, the forerunner of Builders Square, in this city. His contract with Builders Square reportedly was to expire in September. Leaving with Denny was Larry Haven, vp-merchandising and store planning, who has been with the company since its inception.

With Denny's departure, Glen Mielke becomes chief executive officer. Mielke, a 31-year veteran of K mart, in January was appointed president and chief operating officer of Builders Square (*see stories, page 15*). Contacted in his office here, Mielke said Denny and Haven gave him a week's notice about their plans. "They left to pursue their own interests," he said. "That's all we want to say about it."

These developments follow the resignations in late April of Builders Square cofounders Jud Walford and Frank Powers, and reportedly leaves just three contract-status employees from the chain's pre-K mart management period.

(Continued on page 55)

Frank Denny's departure as chairman and ceo of Builders Square marks the end of that chain's founding era. NHCN photo

Davis ends 28-year career with Rickel

Chuck Davis resigned as president June 5, ending a career with Rickel that he began as a stock boy. NHCN photo

By an NHCN staff editor

SOUTH PLAINFIELD, N.J. — In what is becoming all too common in the home center industry, the chief executive officer of another major chain has resigned.

Chuck Davis, who has been Rickel Home Centers' president and ceo for three years and an employee of the chain since his teens, stepped down June 5, possibly on as short as a day's notice.

A spokesman for Rickel's parent company, Supermarkets General Corporation, said Davis "resigned to pursue other interests."

The spokesman, Robert Wunderle, said a committee has been formed to search for a replacement, and that in the interim the 51-store chain, which has 5,800 employees, will be run by existing executives at Rickel and Supermarkets General.

"This is not going to mean any changes in the advertising, merchandising or expansion of the company," Wunderle said.

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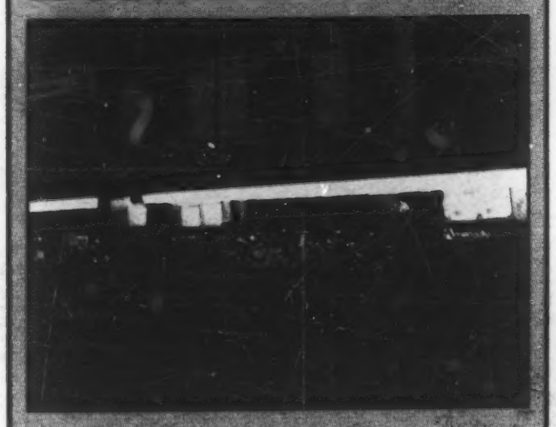
BUYING & SELLING



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Home Depot declares stock split

ATLANTA — The Home Depot's board of directors last month authorized a three-for-two stock split of its outstanding $.05 par value common stock, and declared a half-share value per share dividend payable July 17 to shareholders of record as of June 14.

The board also declared a quarterly cash dividend of $.03 per split common share, payable July 31 to shareholders of record July 17. After adjustment for the stock split, this represents a 50 percent increase over the previous quarter's cash dividend.

A Home Depot spokesman said the split has been done before by the company and is aimed at keeping the value of individual stocks down.

"If not for a split," said the spokesman, "a Home Depot stock that sold in 1981 for $12 would today be worth $450."

Lumber trucks overloaded: study

NATIONAL REPORT — Forest products accounted for 19 percent of the overweight containers traveling U.S. highways, according to an 11-month study by the Federal Highway Administration. Forest products as an export item accounted for 26 percent of the overweight and loading problems at U.S. ports.

According to the Highway Administration's 104,863-load survey, logs and lumber accounted for 1,790 of 23,215 overloaded or overweight containers for export, the fourth ranking cause of problems behind paper, plastic resins and chemicals. Fiberboard was ninth of 10 problem commodities on the list.

The leading "problem" import, according to *American Shipper* magazine, was beer.

The study checked every container movement through U.S. ports on the 15th of the month from October 1987 to September 1988.

Roseburg Lumber strike ends

ROSEBURG, Ore. — The four-month strike by 4,300 unionized employees at Roseburg Lumber is over. The settlement means an immediate return of an estimated 40 percent of Western sanded panels production.

Linda Fox, secretary of the privately held company, said union employees ratified a contract last month giving back a 60-cent per hour wage reduction. The contract calls for an 11-cent hourly increase in 1992.

The Roseburg strike began Jan. 11 over union demands for a four-year wage freeze in response to management's calls for wage cuts, Fox said.

O'Malleys closes another unit

PHOENIX — The O'Malley Cos. has closed its Sierra Vista, Ariz., retail unit, leaving it with five Building Material Centers in Arizona and one in El Paso, Texas.

Separately, O'Malley's corporate headquarters on Seventh Street will be relocated in mid-June to offices in the retail division on East Indian School Road in Phoenix. About 15 employees work in the corporate headquarters which oversees wholesale, manufacturing and insurance divisions.

O'Malleys has closed seven stores in the last two years. Its remaining outlets are in Sun City, Buckeye, Mesa, Apache Junction, Phoenix and El Paso.

Henry Bacon names new execs

BELLEVUE, Wash. — Henry Bacon Building Materials has made several management changes including naming a new general manager of the six-unit privately held building materials dealer based here.

Ken Plass has joined the company as vp and general manager. He most recently was executive vp and gm of Keller Supply Co., Seattle. Richard Carson, former executive vp and gm, was named president, reporting to chairman Jack Curran. Ron Dolan, formerly store operations manager, was named to a newly created vp-marketing and advertising post.

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Will Vachon leaves Pergament citing personality differences

By an NHCN staff editor

MELVILLE, N.Y. — Will Vachon resigned from Pergament Home Centers here on June 6, only 12 months after joining the company as an executive vp.

"I think that it was in both of our mutual interests. The personality of the company was not best suited to my own," said Vachon in a telephone interview from his home on Long Island. "The fit was just not right."

Michael Lurie, Pergament's executive vp, said the parting was amicable.

The 57-year-old Vachon leaves Pergament after a year as senior vp and general manager. He is succeeded by Bruce Falk, formerly divisional merchandise manager and advertising coordinator.

"The Pergament company is strong and getting stronger and [is] a force to be reckoned with in the market," said Vachon. "It's one of the few that is holding its own and is not going to lie down and play dead."

Vachon described Pergament as "entrepreneurial by nature," compared with Rickel, which is "part of a multi-billion dollar corporation." Vachon spent 31 years at Rickel but resigned as executive vp in June 1987 after being excluded from the management team that took the chain and its parent, Supermarkets General, private.

Coincidentally, on the day Vachon left Pergament, Rickel ceo Chuck Davis also resigned.

Vachon said he had not discussed with Rickel the possibility of replacing Davis.

"The industry is undergoing a radical change right now and those who recognize it and deal with it will succeed," said Vachon. "The change is faster than anyone anticipated."

Beck becomes president of Standard Brands Paint Co.

By an NHCN staff editor

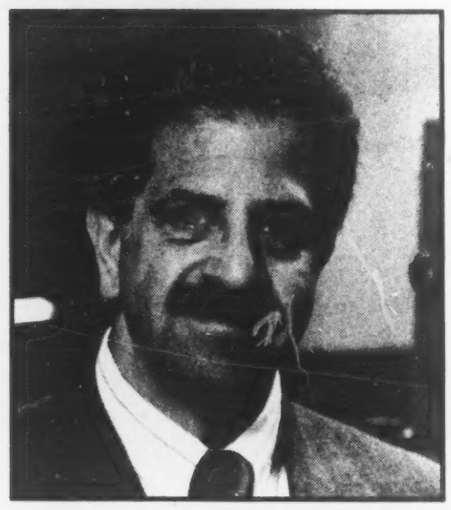
TORRANCE, Calif. — Eric Beck has been named president and coo of Standard Brands Paint Co., succeeding Marvin Wager, who was named to the newly created position of vice chairman.

Beck, who joined Standard Brands Paint Co. as a part-time sales clerk at its Woodland Hills, Calif., store nearly 23 years ago, for the past four years has been executive vp reporting to Wager.

Noting that Wager will turn 65 next year, the 44-year-old Beck explained that his promotion is "all part of an orderly transition of management. . . . It is part of Marvin's way of planning his future, getting all the ducks in order, so to speak."

Beck said Standard Brands, which has 144 Home Decorating Centers in eight Western states, completed a restructuring a year and a half ago and the top-management changes will not signal any "major or drastic changes. The mission has been established. Our plans are in place. We'll continue what we have been doing."

Standard Brands reported earnings of $1.57 million on sales of $75.9 million in the first quarter ended April 30. In the comparable year-earlier period, Standard Brands earned $2.2 million on sales of $73.7 million.



Eric Beck, president of Standard Brands Paint Co.

Photo courtesy Standard Brands

(Continued on page 58)

Wickes Cos. calls off sale of its Builders Emporium division

By an NHCN staff editor

IRVINE, Calif. — Wickes Cos. has removed the "For Sale" sign from its Builders Emporium division headquartered here.

Two months after BE's president Jack Edwards resigned for what a company spokesman said were "personal reasons," parent Wickes Cos. has "decided to keep [BE] and run it," the spokesman added.

Meanwhile, "a search is being conducted for a permanent president for the company," the spokesman said. Executive vp Ted Kazleman, who's currently the chain's acting president, "and others are being considered for the job," the spokesman added.

BE was placed on the selling block by Wickes Cos. new owner, WCI Holdings Corp., earlier this year. WCI Holdings is jointly owned by two New York investment companies.

"Although we received a number of offers for Builders Emporium, we feel that the business has more value to the company as an operating asset given its position in the Southern California home improvement market and its potential for growth," the spokesman said.

WCI Holdings, meanwhile, on May 30 completed its previously announced sales of 31-unit Orchard Supply Hardware and 23-unit Wickes Furniture divisions.

As previously reported, OSH was sold to an investor group including its management headed by Maynard Jenkins, president and ceo, along with the Los Angeles investment firm Freeman Spogli & Co.

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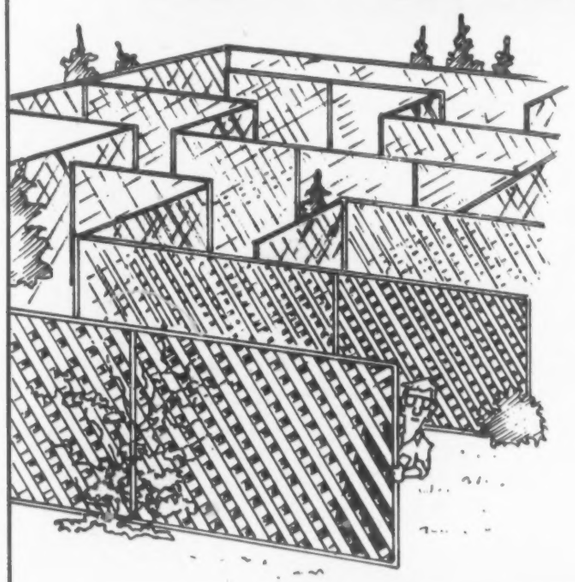

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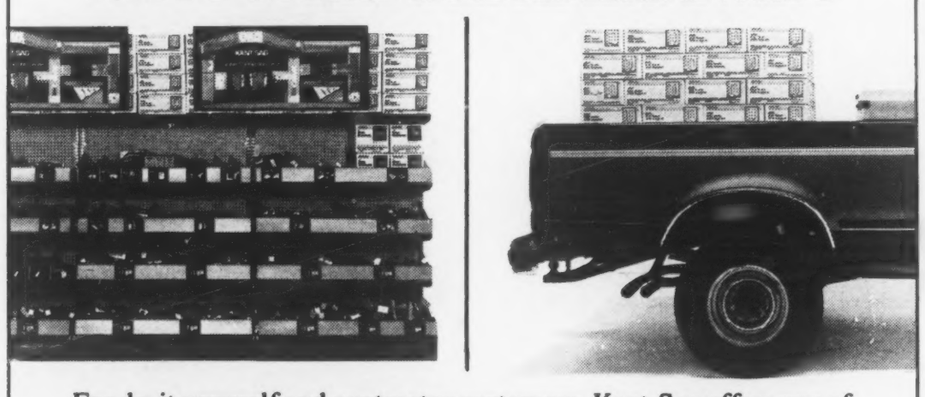

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Maze purchases Tremont Nail

By an NHCN staff editor

PERU, Ill. — The purchase of Tremont Nail, Wareham, Mass., last month by Maze Nails, a division of W.H. Maze Co., Peru, Ill., has combined the nation's two oldest nail manufacturers.

Maze president Peter Loveland said Tremont Nail will continue to manufacture and ship out of its Massachusetts plant and will operate as a separate profit center under the continuing directon of Donald Shaw, general manager.

Tremont was founded in 1819 and maintains the largest selection of cut nails in the world, according to Loveland. Maze Nails, founded in 1848, is the world's largest producer of hot-dipped, zinc-coated nails.

Lees, Celotex president, dies

By an NHCN staff editor

TAMPA, Fla. — William G. Lees, the president of Celotex Corp. here, died of an apparent heart attack while vacationing in North Carolina on May 27. He was 64.

A native of Apollo, Pa., Lees had been with the building materials supplier for 40 years and was named its president last October.

During his tenure with the company, Lees served as president of the Gypsum Association from May 1979 to April 1980, and was on the executive committee of the Asphalt Roofing Manufacturers Association from 1982 through 1984.

"With Bill's passing we have lost not only a generous and knowledgeable member of the building industry, but also a very good friend," said Kenneth Hyatt, president and ceo of the Jim Walter Corporation, the parent company of Celotex, in a prepared statement.

Lees is survived by his wife, Pam, and their daughters Susan Lees of Indio, Calif.; Maribeth Lees Nordman of Tampa, Fla.; and Nancy Lees Guminski of Tampa. Also surviving are Lees' mother Edith; his brothers Mark and Robert, who resided in Apollo, Pa.; and his sister, Marian Patterson of Youngstown, Ohio.

William G. Lees

Judge nixes Makita's claim of tool trademark infringement

By an NHCN staff editor

WASHINGTON — An administrative law judge ruled that Makita USA and Makita Corporation of America have no common law trademark to some 55 products, vacating Makita's claim that, as an American company, it was being injured by look-alike imports.

The long-awaited International Trade Commission decision, revealed to *NHCN* by a source who was witness to the judge's decision as it was handed down June 2, effectively states there was no violation of Section 337 of the Tariff Act of 1937, part of the U.S. Unfair Trade Practices Act. The decision, according to the source, was based on Makita's failure to establish "common law trademark in color, shape or combination of the two" on 55 of its corded and cordless tools sold in the U.S.

(Continued on page 58)

Corrections

Articles appearing in the May 22 issue and on p. 14 of the June 5 issue misstate that Grip-Rite International was being purchased by Sequoia Supply. Grip-Rite is merging with Sequoia.

A misplaced decimal point caused the chart on page 9 of the May 29 issue describing the square footage growth of the industry's top 25 retailers to be incorrect. In 1987, the aggregate number for these chains should have been 99.8 million square feet; in 1988 that grew to 101.3 million square feet.

In testimony before the U.S. Senate April 7, a joint U.S.-Canadian group—The Alliance for Enforcement of the Canadian Lumber Export Tax—charged that some Canadian *and* U.S. lumber wholesalers were evading Canadian taxes by misstating the province of origin of shipments to U.S. customers. An article in the May 8 edition said that only Canadian wholesalers were alleged to have evaded the taxes.

An April 24 new products article on "Billie Bord" polyurethane lumber misstated the item's price. It runs from $6.05 per foot for a 1½-inch by 4-foot length and $9.05 per foot for a 6-foot length.

Due to an editing error, a June 5 story misstated that the National Retail Hardware Association has members in only 19 states. Some of NRHA's affiliate groups cover more than one state.

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EDITORIAL

Denny's exit ends entrepreneurial era

Frank Denny leaves Builders Square and Handy Dan leaves the industry, all in the same week. The coincidence of events punctuates the end of an era of rapid expansion and entrepreneurial leadership. History is rarely this neat.

The slower growth tempo was also the theme of the recent Home Center Industry Conference, where a variety of speakers agreed that the 1990s will be a period when household formation and population increases will level as disposable income declines.

Ken Schept
NHCN Editor

In other words, in the 1990s we will not see companies open 56 stores in one year as Builders Square did in 1986. Then where is the industry headed? Denny's career parallels the growth of the home centers. His resume and the prospects for Builders Square may provide some insight.

Denny's roots in this business go back to the days in the 1960s when people still asked "what's a home center," and prescient discounters, nervous about the future of their own industry, were coming up with answers such as Handyman and Handy Dan.

At that time, Denny worked at a home center operation called Angels, which was purchased by Daylin, a conglomerate. He was among a group of Angels executives sent by Daylin to San Antonio to develop Handy Dan, then a one-store operation.

After leaving Handy Dan to help convert an El Paso company called Cashways from a lumberyard into a home center, Denny returned to Handy Dan in 1972. He succeeded Bernie Marcus as president in 1979 after Daylin was purchased by W.R. Grace.

He was soon named head of Grace's home center division, which was comprised of chains located throughout the country including Handy Dan, Handy City, Channel, Angels and Orchard Supply Hardware.

As he tried to harmonize these disparate Grace acquisitions, Denny adopted the frenetic style that later characterized the five years during which he drove Builders Squares' growth from the idea stage to a 139-store $1.7 billion chain.

His departure suggests that the industry may be beyond the time when logging frequent flyer mileage and opening stores is the basis of a winning strategy. The air war is over. Disposing of bad sites seems as important now as finding good ones. These days the glory may go, not to the merchants, but to the numbers crunchers who can trim companies and the technicians who can squeeze more sales from the assets that remain.

Is that enough? Builders Square will now be run by a team of executives whose career experience has been mostly with K mart at the regional level. Their mission is to make each Builders Square store produce more sales. If they succeed it won't be because they have a special vision about where the industry could be headed. Rather, their success will be based on their ability to transfer their skills as professional managers.

Given the large number of stores the chain operates and the slower growth predicted for the next decade, that conservative approach may be exactly what's needed at Builders Square. Indeed, in the slow-growth 90s, executives who manage for productivity gains may serve much of the industry well.

Does this conclusion mean that the industry is where discounting was 20 years ago? As Handy Dans become video stores and optical outlets you have to wonder.

—Ken Schept

COMMENTARY

Where have all the store people gone?

Nobody's smarter than all of us. That was the homespun wisdom of a curmudgeonly colonel I served under in the Marine Corps, and he was right. While one person must be in charge, everyone has something to contribute by way of ideas, and everyone must be able to think on his or her feet during emergencies.

Yet this simple philosophy, when applied to retailing, is being stood on its head by the growing importance of technology. We see more and more reports on electronic data interchange, sophisticated POS systems and the like. Yet the growing complexity of this equipment is making retailers more dependent on machines—and the few people who maintain them—to the detriment of the overall operation.

Tom Neven
NHCN Senior Desk Editor

Of course, technology is a boon to modern retailers when kept in perspective. It saves time and money. But its potential for causing problems that don't immediately show up on the bottom line is sometimes overlooked. The temptation is to see all this wonderful equipment as a substitute for trained, motivated employees, not merely as a tool to help them.

Technology is a two-edged sword. It can be "dumbed down" to accommodate lower skilled workers. The day is not far off when counter help at fast food restaurants need not be able to read or do simple arithmetic. They need merely recognize the pictograph of a hamburger or french fries on the cash register keyboard and the computer will do the rest, right down to giving change. But if any situation out of the ordinary arises, the workers will be lost.

Granted, a home center is not a fast food restaurant, but employees who are trained merely to push keys cannot be expected to improvise when the situation warrants, nor will they be the type of people management can rely on to make the extra effort.

This situation is compounded by the degree to which dealers rely on the computer as an operational crutch. A programming error, even with one tiny mistake, or a systems failure can disrupt an entire operation—particularly as dealers rely more heavily on price lookup at the cash register—if people aren't trained to rectify such glitches. You can have technical people checking the programs, but who is checking the checker?

An over-reliance on technology, combined with the deterioration of basic education among younger workers, is relegating employees with low skills who are not properly trained in all aspects of a store's operations to a "job ghetto" that requires little thought and no initiative. And a company with fewer people given the chance to think is a company wasting money on a segment of its operations.

There are positive signs that dealers recognize this as a problem in need of attention. Builders Square has struck a good balance, using much of what technology offers while still soliciting the opinions of its area managers and other employees.

Like many things, the new retail technology is here to stay. The secret is to use it wisely, not letting it so rule the workplace that creativity and initiative are stifled. Otherwise, nobody will be smart at all.

—Tom Neven

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Regional Manager Richard J. Harrigan Jr.
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Manager, Correspondent Kenneth Rankin
Japan Diamond-Friedman Ltd., Chain Store Age News, Japan, 1-4-2 Kasumigaseki, Chiyoda-ku, Tokyo, Japan, 504-6750

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Editorial Inquiries
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"It doesn't GO from 0 to 60"

Business Watch

stocks

Louisiana-Pacific directors approve an increase in dividends

By an NHCN staff editor

CONROE, Texas — The Louisiana-Pacific board of directors approved an increase in the company's dividend to $1 from 92 cents.

At the annual shareholder meeting here last month, the Portland, Ore.-based forest products manufacturer and distributor said the 25-cent quarterly dividend per share would be paid June 1 to stockholders of record as of May 18.

The announcement follows the release of L-P's record quarterly sales and earnings statemer

First quarter sales amounted to $466.8 million, up 13 percent from 1988 first quarter sales of $414 million. Earnings grew 41 percent to $39.9 million.

The company stated that 1988 figures have been restated for the June 1988 spinoff of Fibreboard Corp., a wholly owned L-P subsidiary.

Pricing gets strong

Harry A. Merlo, L-P's chairman, said its building products sector was helped by firmer price levels due to curtailments at Western mills of other producers due to strikes, timber shortages and adverse weather.

Redwood and other lumber, structural panels, panel veneers, logs, chips doors and windows accounted for $63.6 million in sales in the first quarter, up from $53.3 million in the same quarter in 1988.

Total building products accounted for $393.8 million in sales, up from $362.7 million in the first quarter of 1988. Pulp sales increased to $73.2 million, up from $51.3 million in the prior year. Export sales grew to $112.1 million from $81.7 million in 1988.

Mild gains and losses for stocks

The two-week period ended June 2 was relatively quiet for publicly traded home improvement stocks, with only marginal gains or losses for most of the 49 companies tracked for *NHCN* by Media General.

Among the retail winners was Interco, the St. Louis-based company, that only a few weeks earlier had successfully sold off its Central Hardware chain to Handy Andy Home Improvement Centers and subsequently negotiated the sale of its Ethan Allen furniture chain. Another big gainer was Grossman's, whose stock was fueled by an unfounded Wall Street rumor that K mart was interested in buying the Braintree, Mass., chain.

On the down side, National Lumber's stock dropped 21 percent as the 20-unit chain reported a $1.35 million first quarter loss.

Manufacturers' stocks were equally calm, for the most part. Catalina Lighting, the Miami-based supplier, saw its stock price drop 9.6 percent following the completion of its public offering of 1 million common shares and despite its reporting a 176 percent increase in quarterly net income to $666,000 and 120 percent sales gain to $13.15 million.

Mor-Flo Industries saw its stock drop 14.8 percent to $6.50 per share. And the biggest gainer among the vendors was Republic Gypsum's stock, up 7.7 percent.

National Home Center News

HOME CENTER MARKET SUMMARY

Company and Market	Stock Market: Price: 2-Weeks Ended 6-02-89	2-Weeks Change Amt.	2-Weeks Change Pct.	2-Week Range High	2-Week Range Low	52-Week Range High	52-Week Range Low	Volume: 2-Weeks Shares Traded Total	2-Weeks Shares Traded % Out	12-Week Avg. Vol. As % Out	Volume Trend Change	Financial Update: P/E Ratio	Indicated Divd. Rate Amt.	Indicated Divd. Rate Yld.	Latest Report: New Report	Latest Report: Period	Latest Report: Date Ended	Latest Quarter: Revenue Amt.	Latest Quarter: Revenue Chg.	Latest Quarter: Net Income Amt.	Latest Quarter: Net Income Chg.	Latest Quarter: E.P.S. Amt.	Latest Quarter: E.P.S. Chg.	Year-to-Date: Revenue Amt.	Year-to-Date: Revenue Chg.	Year-to-Date: Net Income Amt.	Year-to-Date: Net Income Chg.	Year-to-Date: E.P.S. Amt.	Year-to-Date: E.P.S. Chg.
-	$	$	%	$	$	$	$	(100)	%	%	%	-	$	%	-	-	-	$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Retailers																													
Gen Bldg Prods ..... M	2.75	.00	.0	3.50	2.75	6.00	2.75	49	.12	.27	- 55.6	NE	.00	.0	.....	3 mos.	02-89	20.9	40.3	- 1.0	NE	- .25	NE	20.9	40.3	- 1.0	NE	- .25	NE
Grossman's Inc ..... M	9.00	1.13	14.3	9.13	8.00	9.00	4.88	66,420	25.43	5.24	385.3	15.8	.00	.0	.....	3 mos.	03-89	219.6	7.6	- 7.4	NE	- .28	NE	219.6	7.6	- 7.4	NE	- .28	NE
Hechinger A ..... M	18.00	.13	.7	18.38	17.38	20.25	15.88	13,602	6.64	3.61	83.9	NA	.16	.9	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B ..... M	17.75	- .13	- .7	18.50	17.75	20.00	15.75	594	.39	.17	129.4	14.0	.06	.3	NEW	3 mos.	04-89	274.9	15.1	7.3	- 17.0	.21	- 12.5	274.9	15.1	7.3	- 17.0	.21	- 12.5
Home Depot ..... N	43.88	2.38	5.7	44.00	40.00	44.00	22.88	15,108	3.03	1.55	95.5	27.1	.12	.3	.....	3 mos.	04-89	641.5	43.6	25.9	34.9	.50	31.6	641.5	43.6	25.9	34.9	.50	31.6
Interco ..... N	2.50	.38	17.6	2.50	1.88	3.88	1.88	35,946	9.93	3.75	164.8	NA	.00	.0	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
K mart Cp ..... N	37.88	- .75	- 1.9	39.50	37.63	40.38	31.25	64,285	3.23	1.71	88.9	9.8	1.64	4.3	.....	3 mos.	04-89	6068.2	3.9	94.1	- 22.1	.47	- 21.7	6068.2	3.9	94.1	- 22.1	.47	- 21.7
Lowe's Cos ..... N	25.25	.00	.0	27.25	24.00	27.25	18.75	7,942	2.14	.89	140.4	13.8	.48	1.9	NEW	3 mos.	04-89	602.1	1.9	14.6	- 3.3	.39	.0	602.1	1.9	14.6	- 3.3	.39	.0
NHD Stores ..... M	8.13	.25	3.2	8.13	7.75	8.25	4.50	164	1.26	1.05	20.0	10.3	.00	.0	.....	fiscal	01-89	14.1	11.0	.4	.0	.36	12.5	51.4	12.2	1.0	25.0	.79	25.4
Natl Lumber ..... M	1.88	- .50	- 21.1	2.25	1.88	3.50	1.75	416	.74	.37	100.0	NE	.00	.0	NEW	3 mos.	04-89	34.3	- 10.0	- 1.4	- 100.0	- .24	- 100.0	34.3	- 10.0	- 1.4	- 100.0	- .24	- 100.0
Scotty's Inc ..... N	15.38	.38	2.5	15.50	15.00	15.50	10.50	1,555	1.06	1.69	- 37.3	53.0	.52	3.4	.....	9 mos.	03-89	149.1	8.6	3.4	- 2.9	.23	.0	418.1	6.0	1.4	- 83.1	.09	- 83.9
Sears, Roebuck ..... N	47.38	- .13	- .3	48.13	46.88	48.13	34.75	64,917	1.76	1.27	38.6	18.0	2.00	4.2	.....	3 mos.	03-89	12160.5	- 1.1	257.7	43.6	.70	48.9	12160.5	- 1.1	257.7	43.6	.70	48.9
Std Brd Pnt ..... N	15.38	.50	3.4	15.88	14.88	18.50	11.75	2,549	4.46	2.71	64.6	NE	.00	.0	.....	9 mos.	10-88	80.5	2.2	1.3	- 69.8	.17	- 67.3	236.1	- .2	3.9	- 69.5	.50	- 67.7
Strober Organiz ..... M	6.00	- .50	- 7.7	6.50	5.88	12.25	5.25	281	.46	.61	- 24.6	10.3	.00	.0	.....	3 mos.	03-89	29.5	5.0	.0	- 100.0	.00	- 100.0	29.5	5.0	.0	- 100.0	.00	- 100.0
Wolohan Lumber ..... M	18.25	.00	.0	19.00	17.75	27.00	14.25	803	1.37	1.95	- 29.7	9.5	.28	1.5	.....	3 mos.	03-89	49.0	15.8	.9	12.5	.15	7.1	49.0	15.8	.9	12.5	.15	7.1
Zayre Corp ..... N	29.50	.00	.0	29.75	28.38	30.13	18.63	34,784	6.14	3.07	100.0	NE	.40	1.4	NEW	3 mos.	04-89	466.4	- 2.9	24.3	NE	.43	NE	466.4	- 2.9	24.3	NE	.43	NE
Wholesalers																													
Hughes Supply ..... N	18.63	.38	2.1	18.63	17.88	19.00	16.50	972	2.00	.54	270.4	9.5	.36	1.9	NEW	3 mos.	04-89	126.2	8.3	2.0	- 4.8	.41	- 4.7	126.2	8.3	2.0	- 4.8	.41	- 4.7
Moore-Handley ..... M	4.25	.00	.0	4.25	4.06	4.75	3.75	60	.26	.37	- 29.7	NE	.20	4.7	.....	3 mos.	03-89	23.4	- 9.3	- .2	NE	- .07	NE	23.4	- 9.3	- .2	NE	- .07	NE
Manufacturers																													
Am Consum Prods ..... M	8.75	- .50	- 5.4	9.50	8.75	12.50	8.75	78	.30	.17	76.5	12.3	.00	.0	.....	3 mos.	03-89	20.5	17.1	.5	25.0	.18	5.9	20.5	17.1	.5	25.0	.18	5.9
Am Woodmark ..... M	12.00	.13	1.1	12.00	11.75	12.25	8.00	180	.24	.14	71.4	13.5	.00a	.0	NEW	9 mos.	01-89	38.9	30.1	1.3	85.7	.17	325.0	118.3	23.2	5.8	31.8	.77	32.8
Armstrng Wrld ..... N	39.75	2.38	6.4	40.50	37.63	41.25	31.75	24,783	5.36	1.80	197.8	11.4	1.06	2.7	NEW	3 mos.	03-89	710.1	12.8	37.4	- 4.1	.81	- 3.6	710.1	12.8	37.4	- 4.1	.81	- 3.6
Black & Decker ..... N	20.25	- .63	- 3.0	20.88	19.63	25.25	18.13	23,054	3.93	3.67	7.1	10.9	.40	2.0	.....	6 mos.	03-89	570.7	6.1	25.8	21.7	.44	22.2	1276.2	11.0	64.2	22.8	1.09	22.5
Boise Cascade ..... N	43.50	- 1.75	- 3.9	45.88	43.13	47.50	39.25	11,958	2.66	1.58	68.4	6.6	1.40	3.2	.....	3 mos.	03-89	1099.1	8.1	52.2	- 23.8	1.74	18.4	1099.1	8.1	52.2	- 23.8	1.74	18.4
Catalina Lghtg ..... A	13.00	- 1.38	- 9.6	14.38	12.75	15.25	3.88	1,682	4.43	2.32	90.9	24.1	.00	.0	.....	6 mos.	03-89	13.1	122.0	.7	250.0	.18	80.0	22.1	104.6	1.1	175.0	.30	76.5
Champ Intl ..... N	33.88	- 1.00	- 2.9	35.13	33.25	38.00	29.50	28,383	2.98	1.69	76.3	6.9	1.10	3.2	.....	3 mos.	03-89	1288.7	1.8	113.5	11.3	1.19	11.2	1288.7	1.8	113.5	11.3	1.19	11.2
Clairson Intl ..... M	5.75	.13	2.2	5.75	4.88	7.38	2.75	1,382	2.72	2.55	6.7	NE	.00	.0	.....	9 mos.	06-88	27.2	46.2	- 2.1	- 100.0	- .43	- 100.0	78.4	45.7	- 4.3	- 100.0	- .85	- 100.0
Cooper Indus ..... N	33.75	2.00	6.3	34.00	31.38	34.00	25.06	27,524	2.73	.99	175.8	14.9	1.00	3.0	.....	3 mos.	03-89	1039.2	12.3	38.0	18.0	.37	15.6	1039.2	12.3	38.0	18.0	.37	15.6
DeSoto Inc ..... N	41.00	- .50	- 1.2	42.75	40.88	52.50	29.13	1,810	4.51	4.38	3.0	58.6	1.40	3.4	.....	3 mos.	03-89	99.0	.5	1.4	- 22.2	.35	- 20.5	99.0	.5	1.4	- 22.2	.35	- 20.5
Emhart Corp ..... N	39.50	- .13	- .3	39.63	39.38	42.75	18.88	988	.16	3.24	- 95.1	19.6	.88	2.2	.....	fiscal	12-88	723.2	8.8	33.5	26.9	.52	23.8	2762.5	12.5	126.6	18.9	2.02	18.8
Georgia Pacific ..... N	47.13	- .25	- .5	47.50	46.50	47.50	33.25	18,832	1.99	1.32	50.8	8.7	1.40	3.0	.....	3 mos.	03-89	2447.0	15.7	154.0	45.3	1.65	61.8	2447.0	15.7	154.0	45.3	1.65	61.8
La Pacific ..... N	33.88	- .38	- 1.1	35.00	33.13	37.50	26.00	11,743	3.04	1.39	118.7	8.8	1.00	3.0	.....	3 mos.	03-89	467.0	- 3.3	39.9	- 14.2	1.06	- 12.4	467.0	- 3.3	39.9	- 14.2	1.06	- 12.4
Macmillan Bloedel ..... M	15.25	.00	.0	15.25	14.88	17.38	13.88	1,139	.11	.17	- 35.3	NA	.80	NA	.....	3 mos.	03-89	807.0	1.3	73.4	- 19.9	.68	- 20.0	807.0	1.3	73.4	- 19.9	.68	- 20.0
Masco Corp ..... N	28.88	.25	.9	29.13	27.88	30.38	23.63	28,542	2.08	1.13	84.1	14.4	.48	1.7	.....	3 mos.	03-89	659.0	18.5	68.2	- 14.3	.50	- 16.7	659.0	18.5	68.2	- 14.3	.50	- 16.7
Mor-Flo Inds ..... M	6.50	- 1.13	- 14.8	7.25	6.50	7.75	4.50	100	.40	.47	- 14.9	NE	.01	.2	.....	3 mos.	03-89	56.1	1.3	- .9	NE	- .36	NE	56.1	1.3	- .9	NE	- .36	NE
Newell Co ..... N	40.50	2.13	5.5	40.88	38.25	40.88	19.06	4,699	1.61	1.09	47.7	17.5	.76b	1.9	.....	3 mos.	03-89	271.9	15.1	14.0	41.4	.46	43.8	271.9	15.1	14.0	41.4	.46	43.8
Nortek Inc ..... N	8.88	.00	.0	9.00	8.63	10.38	6.38	1,359	.92	.65	41.5	21.1	.10	1.1	.....	3 mos.	03-89	319.3	- 5.3	- 4.9	- 100.0	- .34	- 100.0	319.3	- 5.3	- 4.9	- 100.0	- .34	- 100.0
Owens Corn ..... N	31.88	.75	2.4	32.25	31.25	32.25	18.75	9,254	2.31	1.16	99.1	6.5	.00	.0	.....	3 mos.	03-89	665.0	5.2	34.0	21.4	.82	24.2	665.0	5.2	34.0	21.4	.82	24.2
Ply-Gem ..... A	14.38	.38	2.7	14.63	13.63	15.63	11.38	889	.82	1.09	- 24.8	11.0	.12	.8	.....	3 mos.	03-89	98.3	10.0	2.2	- 35.3	.20	- 33.3	98.3	10.0	2.2	- 35.3	.20	- 33.3
Pope & Talbot ..... N	23.75	.88	3.8	24.00	22.75	24.00	16.13	2,659	2.26	.96	135.4	8.5	.60	2.5	.....	3 mos.	03-89	147.5	27.5	5.7	- 28.8	.80	19.4	147.5	27.5	5.7	- 28.8	.80	19.4
Potlatch Cp ..... N	37.50	2.50	7.1	38.00	34.50	38.00	28.63	4,248	1.58	.84	88.1	8.5	1.04	2.8	.....	3 mos.	03-89	297.4	15.2	35.9	35.5	1.30	36.8	297.4	15.2	35.9	35.5	1.30	36.8
PPG Inds ..... N	45.50	.00	.0	45.88	44.75	46.88	36.25	17,023	1.47	.61	141.0	10.5	1.52	3.3	.....	3 mos.	03-89	145.9	- 89.4	129.8	9.4	1.15	7.5	145.9	- 89.4	129.8	9.4	1.15	7.5
Rep Gypsum ..... N	5.25	.38	7.7	5.38	4.75	6.38	4.25	322	.32	.26	23.1	21.9	.20	3.8	.....	9 mos.	03-89	11.9	.0	.4	300.0	.04	300.0	37.5	- 4.6	1.7	30.8	.17	30.8
Sherwin-Wms ..... N	29.75	1.25	4.4	30.00	27.88	31.63	24.88	9,268	2.15	1.20	79.2	12.9	.70	2.4	.....	3 mos.	03-89	464.8	12.4	8.8	4.8	.20	5.3	464.8	12.4	8.8	4.8	.20	5.3
Stanley Works ..... N	34.38	- .13	- .4	34.75	33.63	35.50	24.00	4,715	1.10	1.27	- 13.4	13.9	.96	2.8	.....	3 mos.	03-89	480.6	3.1	24.6	15.5	.57	16.3	480.6	3.1	24.6	15.5	.57	16.3
Thos Inds ..... N	19.38	.75	4.0	19.75	18.63	23.31	18.25	1,265	1.24	.57	117.5	11.5	.72b	3.7	.....	3 mos.	03-89	87.5	6.6	5.3	6.0	.52	13.0	87.5	6.6	5.3	6.0	.52	13.0
Union Camp ..... N	37.00	- .50	- 1.3	38.63	37.00	38.63	31.00	17,582	2.56	1.15	122.6	8.3	1.48	4.0	.....	3 mos.	03-89	706.2	9.4	79.7	17.7	1.16	22.1	706.2	9.4	79.7	17.7	1.16	22.1
USG ..... N	5.50	.38	7.3	5.50	5.00	7.75	4.75	9,768	1.81	1.08	67.6	3.3	.00	.0	.....	3 mos.	03-89	538.0	- 3.7	2.6	- 93.5	.05	- 93.5	538.0	- 3.7	2.6	- 93.5	.05	- 93.5
Waxman Ind ..... M	8.38	- .13	- 1.5	8.50	8.25	12.25	7.00	2,651	2.87	1.92	49.5	10.9	.10	1.2	.....	9 mos.	03-89	46.9	26.7	1.8	- 5.3	.20	.0	146.9	31.7	5.1	8.5	.56	12.0
Weyerhaeuser ..... N	29.63	- .50	- 1.7	30.50	28.88	30.88	23.25	32,817	1.61	1.21	33.1	9.8	1.20	4.1	.....	3 mos.	03-89	2321.3	25.1	148.1	29.7	.70	94.4	2321.3	25.1	148.1	29.7	.70	94.4

All Data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share
Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

Lack of help, cooling economy concern Calif. dealers

(Continued from page 3)
employees disperse to other companies and usually lose contact with each other. But two former employees of the defunct Handyman chain are trying to change that.

Former Handyman employees, suppliers, reps and wholesalers are invited to attend a reunion in Chicago Aug. 12 before the opening of the National Hardware Show.

The event's organizers are Ed McBride (503-239-5680) and Rolfe Wittmann (619-698-3398). San Diego-based Handyman Corp. was dissolved at the end of 1986, and McBride and Wittmann believe that "a reunion for former Handyman people and friends is long overdue."

* * *

Handyman was shut down reportedly because its parent company, Edison Brothers, concluded that the land and buildings could be put to more lucrative use. The chain's breakup was just another example of how real estate concerns affect all kinds of businesses. And in fact, one of the few constants in the state over the past 15 years has been escalating land costs, which have contributed to skyrocketing housing prices.

The median price of a house topped $200,000 in April, the California Association of Realtors reported.

* * *

Worse for home improvement retailers was the news that sales of existing single-family houses in California, the nation's largest DIY marketplace, dropped 14.1 percent in April, a sign that home sales are starting to slow down for the first time in two years.

Over the past several months, sober reports have been issued from various sources predicting an overall slowdown in the California economy, of which housing remains a major component.

Yet despite these prognostications, some retailers remain enthusiastic about their stores' prospects here.

For instance, Brad Tukey, a founding executive with HomeClub who is now president of HQ Office Supplies Warehouse, says the Long Beach-based retailer is on the fast track. On June 1 it opened its fifth store in San Bernardino and has leased a location for its first out-of-state site in Las Vegas, Nev. Expansion is ahead of schedule with 14 to 16 stores planned to open before year-end.

California Hardware, the hardlines wholesaler based in Torrance, was buoyed by a 15 percent increase in attendance and 20 percent increase in sales at its two-day '89 Merchandise Mart held recently in Pomona, Calif. This year's event featured a 4,000-square-foot "Store of Tomorrow" prototype that has been developed by Sentry Hardware.

* * *

One chain for which California has been a boon is The Home Depot, which opened its first units here in 1985 and currently has 26 stores in the Golden State.

Bryant Scott, regional manager of seven Home Depot stores in the San Diego area, was promoted recently to vp-store operations, responsible for all California stores. He will be based in Los Angeles.

Scott succeeds Lynn Martineau, who is moving to Atlanta, the chain's headquarters city, with expanded duties including overseeing data processing systems and consumer affairs for the 99-unit chain. Martineau retains his job title, vp-store operations, and will be responsible for stores in Texas, Alabama, Louisiana, Tennessee, South Carolina, Georgia and Arizona.

Home Center Industry Conference paints a less rosy picture for retailers in the '90s

(Continued from page 3)
ed that before the recent rash of retailing LBOs, almost two-thirds of a company's cash flow went into capital expenditures. Now, that is roughly the amount that goes toward debt.

In elaborating about the coming decade, Harvard's Salmon made the following predictions:

- Real estate will be scarce because of zoning, cost and environmental constraints. Therefore, cluster strategies where a home center is grouped with other types of stores will be common;
- There will be contrasting environments within the same store: upscale for fashion items, no frills for commodities;
- Suppliers will increasingly respond to the global market. As the decade elapses, duplication of national brands will decline. Also, there will be a fight among manufacturers for in-store position;
- Companies that win will be supported by shareholders that tend to take a long view of performance, which usually means the stock is mostly held by founding families, ESOPs or foreign investors.

Salmon also provided an outline of what he termed an "infrastructure" that retailers would need to succeed in the 1990s.

Good merchandising, he said, is a given. Beyond that, there are a number of areas in which merchants will have to excel in order to win. They will need to target their approach to local market conditions; develop marketing plans by product category; refine logistics to be always in stock; and maintain state-of-the-art MIS and accounting systems.

Most important, said Salmon, there needs to be a revolution in the way rank and file people are treated.

"Nothing will be any good without turned-on rank and file employees," he said.

He argued that retailers need workers who are of higher caliber and better paid. Employers, he said, need to try to make the job fun and avoid layoffs of all workers except Christmas part-timers.

A similar theme was echoed by another conference speaker, James Kuhn, who has the curious title of vice president-individuality for McDonald's, the $16 billion restaurant chain that has sold more than 70 billion hamburgers.

While McDonald's, with 10,000 outlets in 50 countries and 600,000 employees, has elaborate employee training for customer service, Kuhn said that the intangibles—enthusiasm and smiles—were most important.

"McDonald's calls this 'Catsup in the veins,' " he said.

Attendance at the conference, which is sponsored by the American Hardware Manufacturers Association and *Home Center* magazine, was up about 25 percent over last year.

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Vol. 15, No. 13 June 19, 1989

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Judge turns down Makita's claim for common law trademark infringement

(Continued from page 4)
Thirteen U.S. companies—including retailers Home Depot, Pay 'N Pak and Pace Membership Warehouse Club and a number of vendors—were named as respondents in the original Makita ITC complaint in April 1988 (*NHCN*, April 18, 1988).

Makita may appeal the decision, which also may be reviewed and overturned or affirmed by the entire commission. If the judge's ruling were overturned and affirmed by the entire commission, the ITC and President Bush could order the U.S. Customs Service to halt the importation of look-alike tools.

Makita's counsel Gerald Margolis had not seen the decision at press time. The decision was not to be made public until after June 20.

An attorney for some of the U.S. respondents was joyous. "The decision is satisfying [in] that these small companies prevailed over such a major competitor like Makita," said Jim Adduci of Adduci, Mastrinani, Meeks and Schill in Washington. "We felt pleased that our clients were vindicated and they will continue to be permitted to do business in the U.S."

Beck named as president of Standard Brands Paint

(Continued from page 2)
For the fiscal year ended Jan. 29, Standard Brands posted earnings of $4.81 million on sales of $304.3 million. That compares with earnings of $5.4 million on sales of $305.4 million for the fiscal year ended Jan. 31, 1988.

In addition to its Home Decorating Centers, which focus on paint, wall- and floor coverings, Standard Brands operates eight Art Stores featuring artists' supplies. Beck said nine Home Decorating Centers are slated to open this year.

Beck described himself as a "hands-on manager" who has "grown up" in the company. Over the years at different times he has headed Standard Brands' manufacturing, distribution and warehousing operations.

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Crackdown in China puts U.S. trade in peril

By Tom Bagsarian

INTERNATIONAL REPORT — Builders Emporium is scheduled to receive 15 containers of ceiling fans from China in September.

Simon Bhadiya, import coordinator for the 119-unit chain based in Irvine, Calif., doesn't expect the shipment to be delayed by the turmoil now gripping China. "But who knows?" he asks.

Retailers and suppliers in the U.S. who export to and import from China express the same perplexity about how their businesses might be affected by last month's brutal crackdown of pro-democracy students in Beijing by the Chinese government.

Most industry officials are hopeful that any trade disruptions will be short-lived. However, some are seeking alternative suppliers in other Asian countries. Others are thinking twice about setting up trade agreements with Chinese companies.

Following the military response to the protesters and subsequent massive arrests and death sentences, President Bush imposed a cutoff of arms trade with China, and Congressional leaders have been beating the drum about more extreme measures against China.

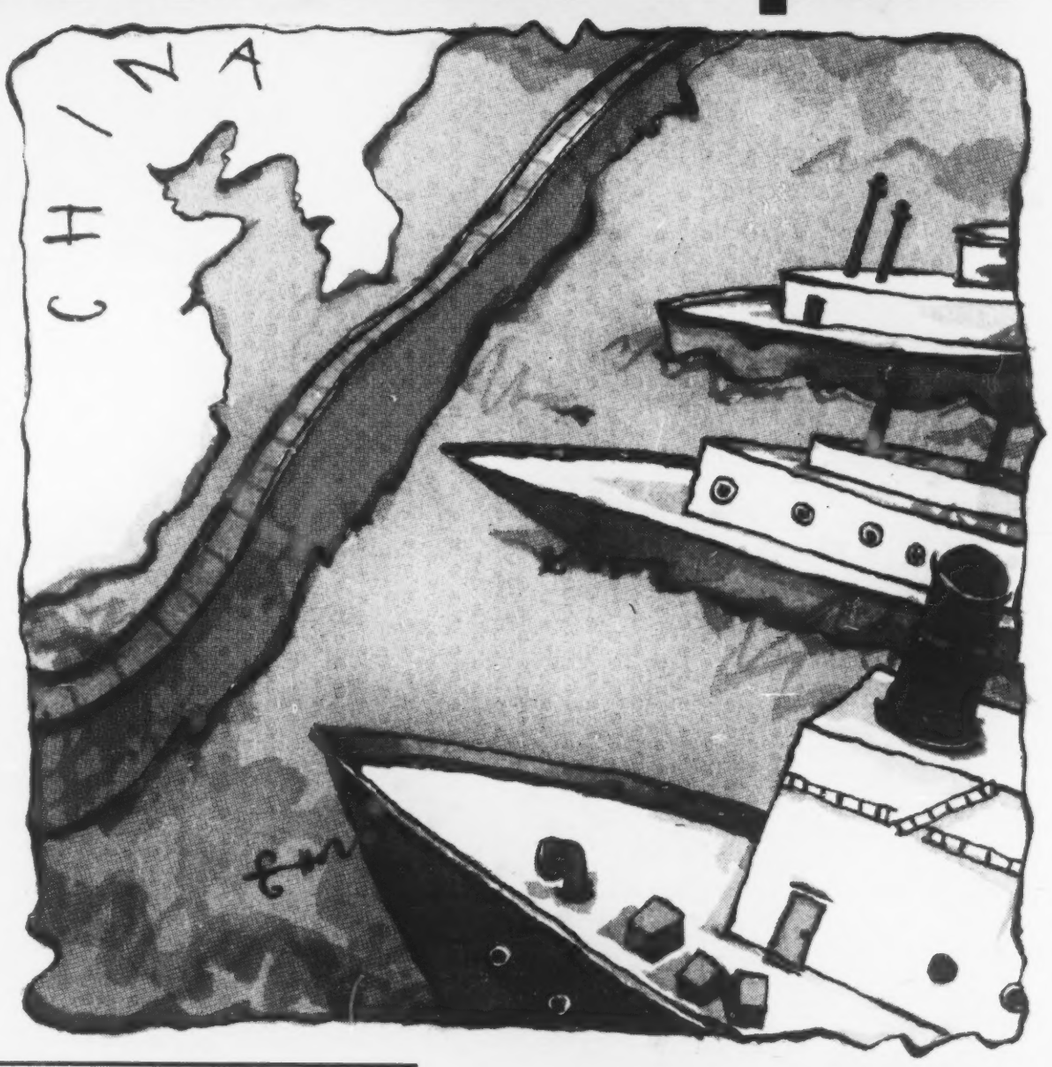
Sporadic shipment delays already seen

American businesses have voiced concern that the turmoil in China will adversely impact trading. Last month, toy manufacturers quoted in *Advertising Age* were frantic about the prospects of missing the Christmas season because of this crisis.

Chinese products are becoming more acceptable to American consumers, as evinced by the $3.4 billion trade deficit the U.S. ran with China last year. But on the strength of last year's lumber exports, this country has a $200 million-plus trade surplus with China on home improvement-related products (*see chart*). That, and the entire trading pipeline, could get clogged by further disruption or friction between the two countries, or if the unrest starts spreading to other areas of China, particularly Shanghai, the business capital and port.

"Retailers here are very nervous about China . . . because they're afraid they

(Continued on page 37)



PERSPECTIVES

Industry trade associations battle to retain members, dollars 13

Dealers brighten and expand their lighting displays 25

Home Depot pushes schedule to make Calif. unit its 100th

By an NHCN staff editor

MONROVIA, Calif. — The Home Depot reached a landmark last month when it opened its 100th store on June 14 in this city five miles east of Pasadena.

That's one day before the Atlanta chain opened its store in Stuart, Fla., which was to have been designated the 100th store. Home Depot's executives decided to bestow that honor on Monrovia for the assistance it gave the chain in that store's development.

"Monrovia, as a store, was a long time coming, and the city had very high expectations about our coming here," explained the chain's director of public relations Lonnie Fogel.

Monrovia was incorporated in

(Continued on page 41)

This Home Depot circular proclaims the opening of the chain's 100th unit.

BMA debuts image campaign

By Tim O'Malley

GREENVILLE, S.C. — After selling off most of its far-flung interests over the last year, Builder Marts of America (BMA) is rolling out a new corporate image with an eye on improving service to its 1,900 dealers.

Perhaps the most symbolic evidence of the leaner profile sought by the employee-owned dealer services group is its new corporate logo, which designates the acronym "BMA" as the official company name. The full name was dropped because many apparently found it long-winded and difficult to remember.

BMA has also introduced a variety of new cost savings and advisory programs for its members, made personnel changes, and assigned each dealer its own team within the organization to promote more personal service.

But the centerpiece of the new campaign—a turnkey program that will seek to capitalize on the growing renovation and remodeling market—has yet to be fully unveiled.

BMA The Power of Teamwork.

Details of this program, and its feasibility, are being worked out by

(Continued on page 41)

Domestic manufacturers join forces to combat "dumping" of locksets

By Brad Altman

WASHINGTON — Domestic manufacturers of residential locksets have joined together and filed an "anti-dumping" petition with the International Trade Commission and Commerce Department, alleging that the Republic of China is selling residential locksets in the United States at unfairly low prices.

A spokeswoman for the ITC said

Merchandising

that commissioners, in a 4-2 vote in early June, agreed that Taiwan may be hurting the domestic residential lockset industry. The Commerce Department is now conducting its own preliminary investigation scheduled to be completed by Oct. 1.

Residential locksets—primarily door-related hardware—imported from Taiwan last year totaled about $46.9 million, or 20 percent of the total residential lockset market, according to Richard Hudnut, a consultant for New York-headquartered Builders Hardware Manufacturers Association (BHMA).

"Not too many years ago, a million dollars' worth" of residential locksets were imported annually, Hudnut said. "There has been a dramatic increase."

The BHMA formed an ad hoc committee composed of representatives of Dexter Lock, Kwikset Corp., National Lock Corp., Schlage Lock Co., Weiser Lock, and Weslock.

"To the best of my knowledge, this is

(Continued on page 37)

INDUSTRY UPDATE

Wickes now plans to expand BE

NEW YORK—Wickes Cos. this year will embark on an expansion and remerchandising program at Builders Emporium, according to the company's co-chairman.

Speaking June 14 at Wickes' annual stockholders meeting at the Helmsley Palace here, James R. Birle said BE will be gearing up for a battle with Home Depot and other competitors in Los Angeles once the company completes its search for a new chain president.

"The L.A. market is a great one," he told a crowd of 30 investors. "We belong there." This comment was made despite persistent rumors on the West Coast that the 120-unit BE remains on the selling block, even though Wickes has officially taken the chain off the market.

Birle declined to reveal Wickes' capital expenditure plan for BE, but said a major reorganization of the chain's merchandising mix was in order.

"I'm not going to get into specifics—I'll leave that up to the new ceo," he said. "But a lot of fine tuning has to be done."

Supply One relocates office

RENO, Nev. — Supply One, a three-store operation whose corporate headquarters have been in Rancho Cordova, Calif., since it was established by the Steiner-Levi family partnership in 1984, relocated its corporate offices to this city June 1.

A 3,000-square-foot office complex was built behind the 30,000-square-foot Reno store. Supply One has another unit in nearby Sparks, Nev., and a third outlet in Hillsboro, Ore.

"It just makes more sense to be closer to your stores," said paint and hardware buyer Rob Long, who is one of about 12 employees who work in the new corporate office.

Stor settles with Ikea out of court

LOS ANGELES — Stor has agreed to some minor layout changes in its three stores to settle a copyright and trademark infringement lawsuit brought by Ikea, a similar European-style home furnishings chain on the East Coast..

Stor also has agreed that the names of some products that currently are identified with Scandinavian words will be changed and that the typeface and layout of its catalogs, which had closely resembled Ikea's, will be modified.

Operational changes will not have "any significant impact," a company statement said. Both sides reportedly will pay their own legal fees as part of the out-of-court settlement.

Stor, the City of Industry, Calif.-based contemporary home furnishings retailer, was launched in 1987 by former Ole's Home Center ceo Harvey G. Knell.

Toro enjoys record 3Q earnings

MINNEAPOLIS — The Toro Company reported the highest third quarter earnings in its history, despite a 2.5 percent dip in sales.

Revenues fell to $204.7 million for the three months ended April 28, yet they still rose 3 percent for the current nine-month period to $506.1 million.

In a prepared statement, management reports it is encouraged by overall demand for Toro products, but also expressed concern about the late spring in several markets and the "potentially difficult marketing environment that creates" for Toro lawn mower products.

Net earnings for the most recent quarter were up 5 percent to $8.2 million and for the nine months earnings rose from $18.1 million to $19.8 million, a 9 percent gain.

Earnings per share climbed from 73 cents to 79 cents, good for an 8 percent increase for the three months. And for the nine months, earnings per share jumped 13 percent to $1.89.

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Real estate developer joins Handy Andy in acquiring Central

By Gary S. Ruderman

SCHAUMBURG, Ill. — One of the country's largest real estate developers is now an equity partner with Handy Andy Home Improvement Centers in its acquisition of the Central Hardware chain.

JMB Realty Corp., a Chicago-based developer with projects around the country and the owner of Urban Investments Inc., was brought into the Central purchase prior to its June 13 closing, according to Steve Kadish, Handy Andy's president.

A source close to the deal confirmed that discussions were underway for "key, top management" of Central to take an equity position in the new venture (*NHCN*, May 22). The choice of participants from the 38-unit Central and Witte Hardware, a St. Louis hardlines distributor, will be up to Central's president, Jim Cohen.

Cohen began the selection process following the closing but would give no details. *NHCN* believes, based on interviews, that Neil Marglous, president of Witte, will be one offered a stake.

Central, based in Bridgeton, Mo., outside St. Louis, had estimated sales of $275 million last year. Witte reported 1988 sales of $75 million. Central owns about half of its 38 locations in five states, and leases its other stores.

Handy Andy, which is 65 percent owned by Belgian retailer GB-Inno-BM, had 1988 sales of $370 million from 49 stores in five states.

Principals of JMB, chairman Judd Malkin and president Neil G. Bluhm—who according to Kadish are boyhood friends of Handy Andy's chairman Ron Rashkow—join GIB Group (GB Inno's holding company) and New York investment firm Salomon Brothers in the $245 million purchase of Central.

Kadish would not divulge

(Continued on page 42)

Jaffee maps out new strategy for the troubled National Lumber

By an NHCN staff editor

GARDEN GROVE, Calif. — "We are not for sale."

So declared National Lumber president and ceo Melvin Jaffee following the beleaguered 20-unit chain's annual shareholder's meeting held here in mid-June.

Responding to rumors that the troubled chain is on the selling block due to lackluster sales and earnings, Jaffee, who owns 50 percent of the common stock, said he was "positive that we are going to pull out" of the nosedive that has seen National lose $6 million in the last five quarters.

Melvin Jaffee

He said his optimism was based on "running our business and not theirs," a reference to competitors in the markets served by the Fountain Valley, Calif.-headquartered chain, which Jaffee said represent "the most hostile retail environment in the United States, with literally dozens of new warehouses and home centers surrounding us."

Management changes

But the ceo confirmed that National Lumber has "made some mistakes—and we are correcting those mistakes."

The major effort he revealed at the shareholders' meeting is to restructure the

(Continued on page 37)

Lampert's new director of stores seeks more solid presentation

By an NHCN staff editor

ST. PAUL, Minn. — Growth through increased profits and not necessarily new stores is the goal of Kenneth D'Anastasio, a former Grossman's official who became Lampert Lumber Co.'s director of stores last month.

This is a new position for the 44-unit company based here, and D'Anastasio will be responsible for the operation and management of the chain. He will also serve on the senior management committee.

"We want to continue to grow not only in sales, but specifically in profits," said D'Anastasio. "Certain things within the stores need to be looked at as far as presentation," including an effort to get more women to shop at Lampert, he added. The director of stores also plans to get the units' "interiors merchandised as well as possible."

D'Anastasio feels Lampert's strong points include "a culture which allows people at the company to excel" and dedicated long- and short-term employees.

Before joining Lampert, D'Anastasio, 37, was with Grossman's, the Braintree, Mass.-based chain, for 13 years. His positions there included store manager, district manager and zone manager.

F. Joseph Hayes, Lampert Lumber's ceo, said D'Anastasio's appointment will "substantially strengthen Lampert's senior management."

The creation of this position comes a little more than one month after former Lampert president George Poulos left the company for unspecified reasons. Hayes does not plan to replace Poulos, who was an officer with Hayes and Denver businessman Josh Hulce in the holding company that bought Lampert last summer.

Lampert Lumber had 1988 sales of $90 million, a decline of $1 million from 1987. It operates units in Minnesota, North Dakota, South Dakota and Nebraska.

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The *NHCN* Annual Census of the home improvement industry's top 300 retailers inadvertently left off the above three companies.

Company	In Millions Sales 1988	Sales 1987	% Change 1987-1988	% DIY 1988	% DIY 1987	Number of Stores 1988	Number of Stores 1987	Showroom sq. ft. Store avg. 1988	Showroom sq. ft. Store avg. 1987	SKUs store Average 1988	SKUs store Average 1987	Employees 1988	Employees 1987
Builders Discount, North Hollywood, Calif.	$55	$46	19	50	50	3	3	85,000	85,000	24,500	22,000	300	280
Hammond Lumber, Belgrade, Maine	24	22	9	40	40	3	3	7,600	7,600	4,000	4,000	105	85
Knecht Home Centers, Rapid City, S.D.	15	13	15	40	40	4	4	20,000	20,000	45,000	45,000	120	115

Veteran Lanoga exec departs after management shifts

By an NHCN staff editor

REDMOND, Wash.— A veteran Lanoga Corp. executive has resigned in the wake of a reorganization of Lanoga's top management at its Pacific Northwest and Alaska operations.

Bill Cromett, executive vp-marketing for Lanoga's western group, said he would leave the company on June 30 after 10 years with Lanoga.

His departure was prompted by the naming of new general managers at Lanoga's 13-unit Lumbermen's stores located in Washington and Oregon, and at its nine Spenard Builders Supply stores in Alaska.

Lanoga president and ceo Daryl Nagel said Cromett had been under consideration for the newly created position of general manager and executive vp of Lumbermen's, Olympia, Wash., a post that was ultimately filled by M. David Dittmer, Lumbermen's vp-operations.

Michael A. Buza was named gm and executive vp at Anchorage-based Spenard.

The management changes were prompted by the March 31 resignation of western group president Edwin M. Savage, who had been in charge of both Spenard and Lumbermen's since May 1987. Nagel said the new management organizational structure was chosen because it was "more logical" than having a single executive manage the two chains which are geographically remote from each other.

Dittmer joined Lanoga in 1984 after 10 years with Payless Cashways, ending his tenure there as Indiana district manager. Originally named manager of special projects, Dittmer had been vp-operations for Lumbermen's since 1987.

Nagel said he "skipped over" Cromett and chose Dittmer for the top Lumbermen's position because Cromett's "expertise is in the marketing area."

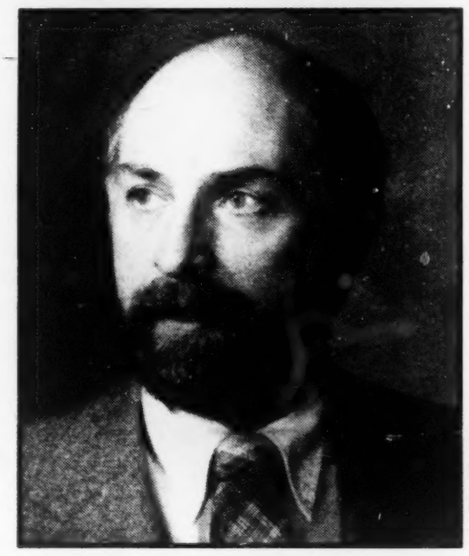
Rather than report to Dittmer, Cromett decided to leave the company. "I hired Bill 10 years ago and I have the greatest respect for him," Nagel said. "He has a lot to offer somebody."

Cromett, a 22-year industry veteran, held the No. 2 post at Lumbermen's since 1984. Previously he was vp-marketing and merchandising for 104-unit United Building Centers, a Lanoga-owned company headquartered in Winona, Minn.

He also has been a district manager of Lampert Lumber Co., St. Paul, Minn.

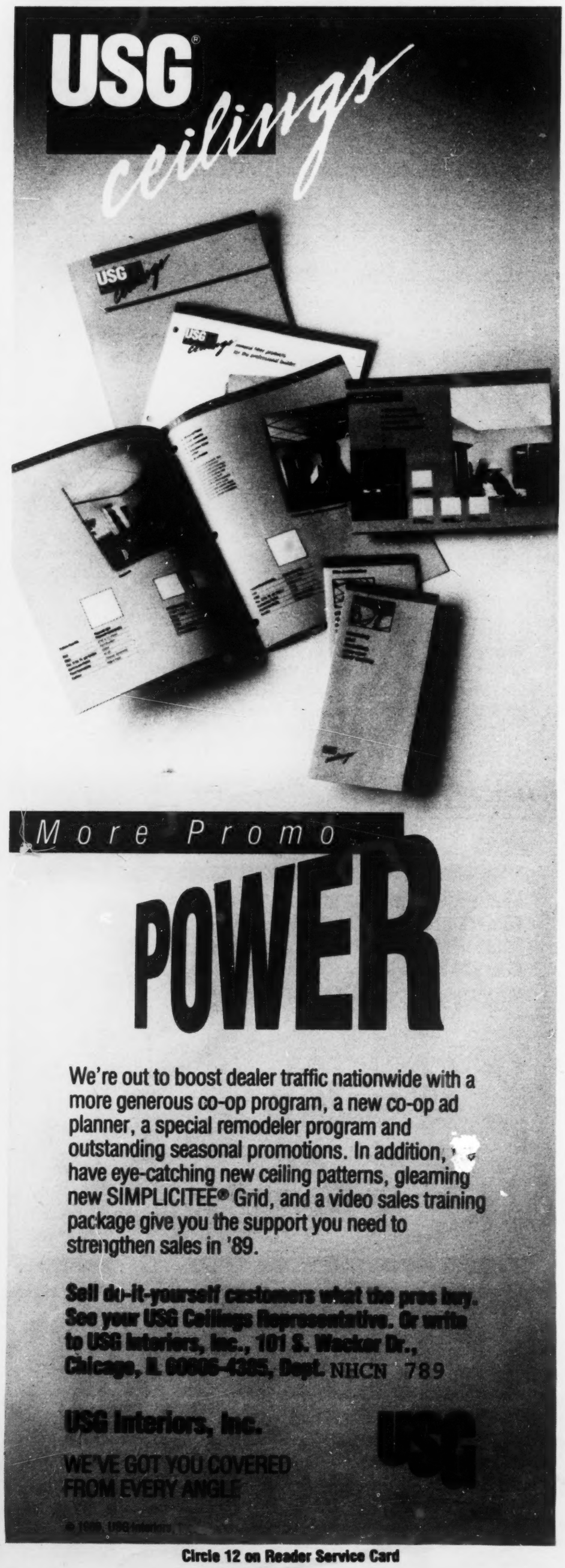
Cromett said he planned to stay in the Pacific Northwest but has not determined what he will do next.

Lumbermen's and Spenard will continue to share a common support staff that provides accounting, MIS, marketing and distribution services for the two divisions. Douglas T. Grover, formerly general merchandise manager for both chains, is now director of marketing.



NHCN photo

Bill Cromett, executive vp-marketing for Lanoga's western group, was slated to leave the company June 30.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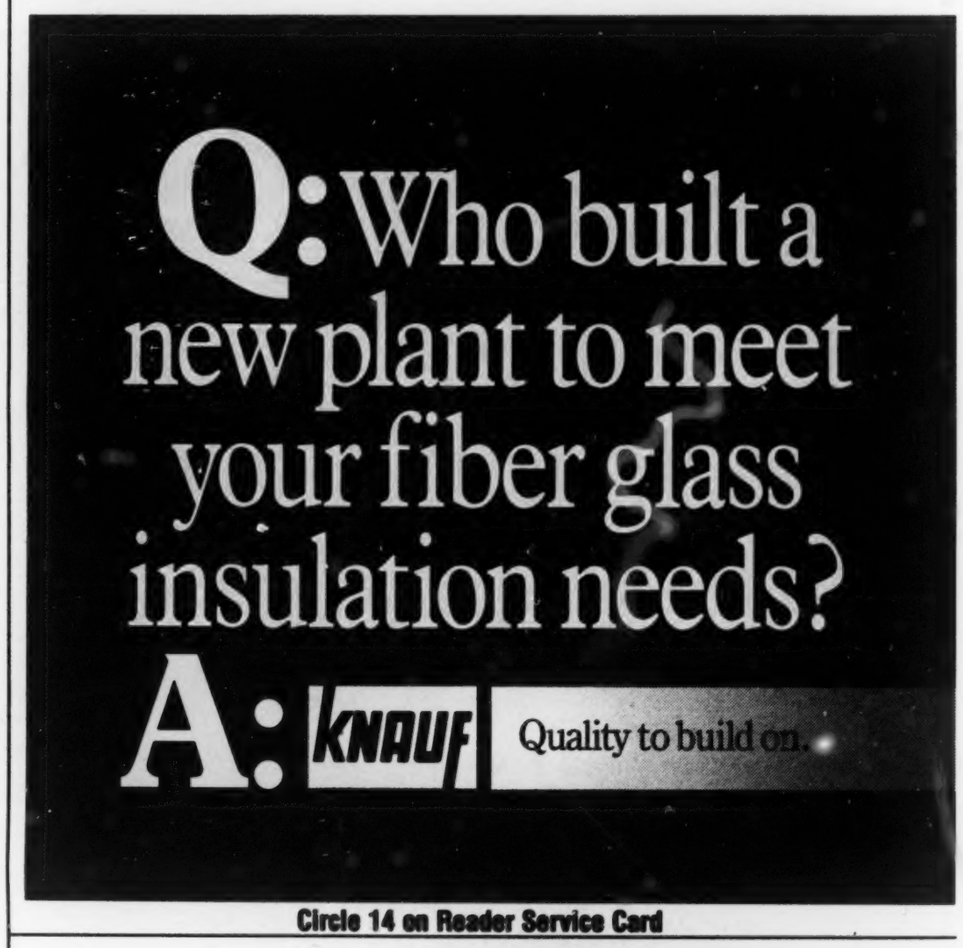

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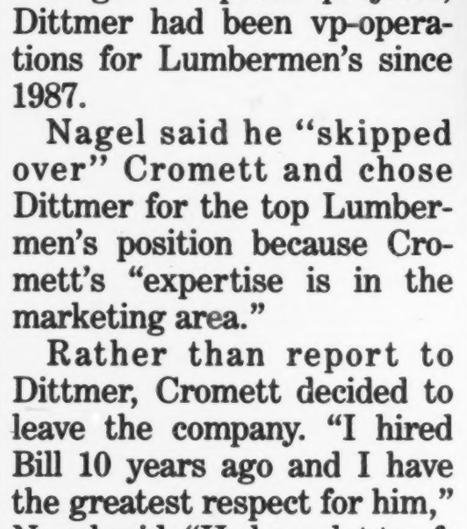
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EDITORIAL

Retailing for $200. The answer is...

One of our editors was recently accepted as a contestant on the game show Jeopardy.

His success, he explained, would depend on whether the question categories were among his areas of trivia expertise.

Suppose he gets to the taping, I wondered, and Alex Trebek announces, "The questions today will all be about retailing."

Ken Schept
NHCN Editor

Our Guy: I'll take current events for $100.

Trebek: An endangered species that threatens the industry.

Our Guy: What is the Spotted Owl?

Trebek: No. I'm sorry.

Opponent: What are profits?

Trebek: Yes.

Opponent: Current events for $200.

Trebek: This well-known celebrity has done more than anyone in history to move items through stores.

Opponent: Who is Elvis?

Trebek. No.

Our Guy: Who is Dr. Wally?

Trebek: No. I'm sorry we can't accept that. We were looking for, who is Bob Vila?

Opponent: Merchandising for $100.

Trebek: You're a growing regional manufacturer. A major retailer says it will take on your line nationally only if you buy all your competitor's merchandise now in the stores.

Opponent: What is extortion?

Trebek: I'm afraid we can't accept that. Think of it from the retailer's viewpoint.

Our Guy: What is partnership?

Trebek: Yes.

Our Guy: Merchandising for $200.

Trebek: The same manufacturer changes packaging from green to blue.

Our Guy: What is a new product?

Trebek: Yes.

Our Guy: Merchandising for $300.

Trebek: A commodity often in short supply.

Our Guy: What is gypsum?.

Trebek: Sorry, no.

Opponent: What is imagination?

Trebek: Well done.

Opponent: Operations for $100.

Trebek: Identify this quote. "I don't work in this department."

Opponent: "What is customer service?"

Trebek: Yes.

Opponent: Top management for $100.

Trebek: Identify this quote. "We can turn things around."

Opponent: What are famous last words?

Trebek: Yes.

Opponent: Top management for $200.

Trebek: Usually blamed for why things don't turn around.

Opponent: What is the weather?

Trebek: Good.

Opponent: Top management for $300.

Trebek: What management turns to when things don't turn around.

Opponent: What is the sale of assets?

Trebek: Looking for something else here.

Our Guy: What is a golden parachute?

Trebek: Yes.

Our Guy: Top management for $400.

Trebek: Identify this quote. "He left to pursue other interests."

Our Guy: What is playing golf?

Trebek: Right. And we're out of time for today.

—Ken Schept

COMMENTARY

Déjà vu the norm in store design today

Neither a borrower nor a lender be;
For loan oft loses both itself and friend.

—Hamlet, Act I, Scene iii

What's the home improvement industry coming to when "The World's Most Unusual Lumber Yard" turns its back on Polonius' sage advice to Laertes and starts looking like everyone else?

John Caulfield
NHCN Executive Editor

Hechinger, which touts its stores under that slogan, has always prided itself on being one of this industry's leading innovators. Many merchandising and store design concepts commonly found in stores around the country had their genesis in a Hechinger unit.

The chain also protects its ideas as if it's discovered the solution for cold fusion. Hechinger is singular among the industry's 10 largest chains in not allowing photographs to be taken in its stores for fear competitors will "steal" some display nugget.

Guarding one's claims to proprietary uniqueness is no crime, and Hechinger has been ripped off enough times to make its officials skittish. It now appears, though, that Hechinger is becoming somewhat less "unusual" by hopping on the bandwagon of retailers who have remade their own stores' image by grafting onto them other companies' in-store presentations.

In its two stores in the Syracuse, N.Y., market, Hechinger—in industry parlance—appears to have "borrowed" liberally from other chains. H-frame racking abounds in its Dewitt store, and reinforces its resemblance to HQ Warehouse, Hechinger's own subsidiary, as well as Builders Square, with which Hechinger now competes in the Northeast.

At its store in Cicero, N.Y., which opened last month, there are traces of merchandising, store configuration and display ideas that appear to come from Grossman's, Mr. Goodbuys and Chase-Pitkin, another new entrant into Syracuse.

And one of Hechinger's trademark departments—"The Cookery," with its extensive array of housewares, which is the first thing customers see when they walk into most of its units—has given way in the front of the Syracuse stores to paint and sundries, to which many dealers give the same play and position.

Originality is becoming a lost art in home improvement retailing these days, as dealers prefer an expeditious adherence to the adage that necessity is the mother of invention.

The necessity for Hechinger, as it is for every dealer in the country, is to come up with an invention to compete against warehouse operators, especially The Home Depot. And if that means adopting some of their features or merchandising, so be it. Who's to say that Hechinger won't improve upon and then mold the ideas from other companies to its own style?

We have entered an era where distinctiveness in store design has lost its luster. But dealers need to fill that void with services and product assortments that distinguish them from everyone else. To do otherwise would be to run the risk, as Polonius noted, of "losing" their "friend"—the customer.

—John Caulfield

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REGIONAL OFFICES
Boston 1 Gateway Center, Newton, MA 02158, 617-527-6394 Fax: 617-969-3125
Regional Manager James H. Mahar
Cleveland Summit One Building, 4700 Rockside Road, Independence, OH 44131, 216-642-3420 Fax: 216-642-1457
Area Manager Robert Bednar
Office Manager Martha MacVean
Chicago 444 N. Michigan Ave., Chicago, IL 60611, 312-644-8888 Fax: 312-644-3256
Senior Midwest Area Manager Sid Hybert
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Senior Editor Gary S. Ruderman
Los Angeles 606 N. Larchmont Blvd., Los Angeles, CA 90004, 213-464-8321 Fax: 213-465-4267
Senior Editor Brad Altman
San Francisco 400 Montgomery St., San Francisco, CA 94104, 415-362-2575 Fax: 415-362-0319
Regional Manager Richard J. Harrigan Jr.
Washington 17735 Striley Drive, Ashton, MD 20861, 301-774-3895 Fax: 301-570-9090
Manager, Correspondent Kenneth Rankin
Japan Diamond-Friedman Ltd., Chain Store Age News, Japan, 1-4-2 Kasumigaseki, Chiyoda-ku, Tokyo, Japan, 504-6750

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Editorial Inquiries
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"Sure, we can afford it. The price is almost what you told me you saved at the piano sale."

Turmoil in China threatens to disrupt the industry

(Continued from page 1)
might not get their goods," says Corey Leen, a salesman with Leen and Associates, an importing company in Bellevue, Wash.

Delays have already surfaced. HomeClub was supposed to get two shipments of shelving from China in May. Now, the 46-unit operator, based in Fullerton, Calif., is looking at a July delivery date, according to import coordinator Maria Chen.

HomeClub does not plan to buy any Chinese products after this pending shipment, though Chen declined to attribute this decision specifically to China's unrest.

ServiStar, the Butler, Pa.-based hardware cooperative, is seeking alternative sources of supply to replace some Chinese products which became tied up in transit.

"A couple of shipments from northern China are currently jammed and we probably won't see them," Harry Klaus, the co-op's import buyer, predicts. The co-op has started to order laundry baskets from domestic vendors.

Other Chinese-made products the co-op carries for its 3,700 dealers include hand tools, utility knives, and Christmas products.

Klaus believes things will eventually stabilize. But retailers won't have "normalcy we've known for awhile."

No longer seen as safe haven

China is in the midst of an economic reform movement and is in desperate need to sustain the corridors of trade. With a 30 percent inflation rate, China can ill-afford any more economic problems.

"The border will be open," predicted Leo Corwin, vp-merchandising for Builders Square, the Texas-based chain which purchases Chinese ceiling fans. Corwin had been the head of international buying at K mart, Builders Square's parent.

However, China is also surrounded by other Asian countries that are more than willing to pick up its trading slack.

Its military response and death sentences to protesters have done little to improve its image as a safe haven for foreign investment. The Commerce Department states that over 350 American companies have invested $3.5 billion in China over the past decade, and one of the long-term ramifications of its actions against the protestors could be a reexamination by American suppliers about exploring new opportunities in China.

About a year ago, Richard Ayers, the chairman of Stanley Works, the New Britain, Conn.-based supplier, visited China "to explore [the country] as a market opportunity," according to Ronald Gilrain, Stanley's vp-public affairs.

Now, even though Stanley's "still committed to be an important factor in the Asian market," Gilrain said "we feel a little more cautious there with the unrest politically and socially."

Weyerhaeuser, the forest products producer headquartered in Tacoma, Wash., pulled Mike Bickford, its Beijing-based representative, out of that city on June 5 and restationed him in Hong Kong.

Bickford would normally be negotiating third quarter sales with the Chinese at this time, but Chinese officials have put that on hold, according to Ted Nelson, vp of timberland and external affairs for Weyerhaeuser's Washington division.

The last vessel loaded with Weyerhaeuser logs and pulp for China left the U.S. June 6 and another won't set sail until those negotiations resume, adds Nelson.

Felt less by some firms

Other suppliers have been touched by the crisis in China, although they report it has been less calamitous to their businesses.

This is particularly true for vendors with plants in the calmer regions outside of Beijing such as Quinyaun City 100 miles to the south, where American Standard continues to operate a 110,000-square-foot manufacturing facility manned by 10 Americans and 300 Chinese workers, according to vp-business development Hank Kelbaugh.

Georgia-Pacific, the Atlanta forest products producer, exports pulp and liner board to a few firms in China. The company's manager of corporate communications, Sheila Weidman, said that business should continue uninterrupted.

American Brush Co., Claremont, N.H., has seen "no impact" on its importing of finished paint brushes from China, according to vp-marketing Pam Smith.

"We have plenty of inventory right now. The problem would be if the inventory can't be replaced," Smith says, which could lead to a significant hike in retail prices later this year.

Indeed, the unpredictability of China's political and economic future will probably play on American companies' business plans at least through the remainder of 1989 and possibly beyond.

Even optimists such as Leen, the Washington State importer who sees retailer reaction here as exaggerated, believes it will behoove the Chinese government to resist any provocation or bloodshed, which could lead to a more serious curtailment of trade with the U.S.

Klaus of ServiStar was more blunt in his assessment. "If [the Chinese] want to resume normal trade and keep the dollars coming in, they'll have to settle things down."

Tim O'Malley contributed to the reporting of this story.

U.S.-China Trade

Category	U.S. Imports 1988	U.S. Imports 1987	U.S. Exports 1988	U.S. Exports 1987
Lumber (softwood, primarily logs)	$2,000	$0	$437.8 mil.	$164.5 mil.
Lumber low processed, tongue and groove	$1.6 mil.	1.2 mil.	9.3 mil.	2.8 mil.
Paints, varnishes pigments	$703,000	523,000	5.8 mil.	1.5 mil.
Veneers, plywood (processed wood)	$330,000	328,000	147,000	66,000
Specialty woods	$21 mil.	13 mil.	835,000	773,000
Carpeting	$103.5 mil.	93.7 mil.	579,000	165,000
Fasteners	$55.7 mil.	44.9 mil.	1.3 mil.	559,000
Hand tools	$56.6 mil.	35.0 mil.	10.4 mil.	5.9 mil.
Plumbing/elect.	$21.8 mil.	5.4 mil.	3.1 mil.	2.5 mil.
TOTALS:	**$261.2 mil.**	**$194.1 mil.**	**$469.3 mil.**	**$178.8 mil.**

Source: International Trade Commission — *NHCN* chart

National Lumber refutes rumors of a sale

(Continued from page 2)
operations department. In a "mutual decision," Jaffee said, vp-operations Craig R. Schumacher left the company this past April after 19 years with National Lumber.

Schumacher's job was filled by William S. Takacs, who joined the company in August 1988 as director of planning and has now been given a new title of chief of operations.

As *NHCN* went to press, Schumacher could not be reached for comment. He started in 1970 at National Lumber as a lumber salesman. In 1977 he was promoted to operations manager and in 1982 to vp-operations.

Takacs "has extensive experience in management and budgeting as well as hands-on experience in home center operations," Jaffee said. Before arriving at National Lumber, Takacs was vp administration for the Los Angeles-based May Company department store chain. Previously he held several retail-related posts, including serving for four years as a senior financial analyst with W.R. Grace's home center division.

As previously reported, National Lumber lost $4.6 million on sales of $152 million for the 1989 fiscal year, a 4 percent decrease from the $158.7 million volume in the previous year when net profits were $229,000. In its first quarter, the chain lost $1.4 million on decreased sales of $34.3 million.

Jaffee told shareholders the company is taking specific actions "to correct this poor performance." He added, "Overall, we expect to see a reduction of approximately $5 million in direct and indirect costs this year."

National Lumber eliminated 300 of its 1,500-person workforce. Jaffee revealed that the cutbacks lowered payroll costs by approximately $2 million.

Among other changes, Jaffee said all customer service desks are being moved to "a more forward position in our stores to make quicker contact with customers."

He said the company would obtain annual savings of approximately $400,000 to $500,000 by such changes as switching from paper bags to plastic, by changing the in-store sign program to lower production costs and by reducing the costs of refuse pick-up by recycling cardboard.

Advertising costs have been cut by $1.5 million; a company medical plan has been modified by slightly increasing employee costs, "decreasing our costs by $600,000," Jaffee said.

Domestic lockset makers file with ITC

(Continued from page 1)
the first time the industry as a whole looked into this aspect" of possible lockset violations of the U.S. anti-dumping act, said Jack Wood, vp-business development for Kwikset, a California-based division of Emhart.

The ad hoc committee believes that the allegedly dumped Taiwan locksets entering the U.S. are sold at prices "below fair market value," said Wood. The petition requests that the U.S. require greater import duties on Taiwan locksets.

Because the ITC ruled in favor of continuing the investigation, the case now shifts to the Commerce Department which will launch its own inquiry.

The BHMA's Hudnut said the U.S. residential lockset manufacturers allege they have been injured by their inability to make "normal increases in prices reflected by the [rising] costs of raw materials."

Hudnut added that domestic manufacturer margins "were shrinking because of the inability to raise prices" due to competition from Tawain.

The ITC spokeswoman said Taiwan residential lockset manufacturers currently pay a "small amount of duty" but if the case "goes to a final anti-dumping duty order, they will be assessed additional duties."

Hechinger undergoes a facelift to help boost store productivity

(Continued from page 3)
ufacturer's list prices. This off-price message is being transmitted powerfully to Syracusans.

Hechinger's ads in this market also depict a new image for its stores here. A 64-page tab still uses its cartoon characters Harriet and Harry Homeowner, but is also crowded with black and white stencilled line drawings and "hot" prices. Each page makes a pun of the price theme. For example, "our prices are a breeze," "trimmer prices" and "blinding low prices."

"It's no good having sharp prices if the public is not aware," said Redfern. "We're already in the market trying to make a strong statement and want to make the customer more fully aware."

Hechinger has operated one store in Syracuse since 1986, when it opened in Dewitt, south of Syracuse.

The chain's everyday low pricing is timely, as Chase Pitkin, the Rochester, N.Y.-based company, is also using this strategy chainwide. It has just entered the Syracuse market with a store in Clay, four miles from Cicero. Its second unit, in the Great Northern Mall, is slated to open in September.

Business Watch

stocks

Makita celebrates the expansion of its U.S. production facility

By an NHCN staff editor

BUFORD, Ga. — Makita, the power tool maker, recently completed expanding its plant here to 200,000 square feet.

The additional space will allow the Japanese-based company to produce half of its U.S. volume in Georgia by the end of 1990, according to Kinya Takeuchi, president of Makita Corporation of America.

Currently, about one-third of Makita tools sold in the U.S. are produced at the Buford plant, which sits on about 80 acres in Gwinnett County just north of Atlanta.

The plant will double in size to about half a million square feet by the mid-1990s, according to Takeuchi.

"This will put Makita closer to the American consumer," he said, during ceremonies last month celebrating the plant expansion.

The Buford plant was opened in 1985 and is Makita's only manufacturing operation in the U.S.

Nine different tools are produced there. By the end of the year another 6 to 10 tools, now made in Japan, will be produced in Buford.

This year the Georgia operation should produce 1.2 million of the three million tools that Makita expects to sell in the U.S., according to Noris Hattori, president of Makita U.S.A., which markets the company's products through seven sales and distribution centers.

He said that the U.S. currently accounts ~~for about~~ one-third of Makita's worldwide sales. According to Hattori, Makita currently controls about 15 to 16 percent of the U.S. tool market and aims for a 25 percent market share.

Industry stocks awaiting takeoff

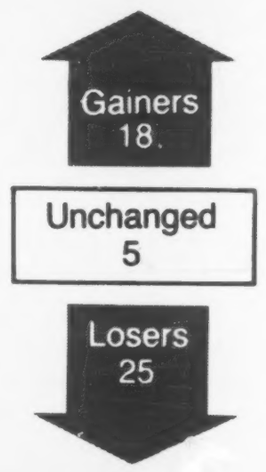
Wall Street continues to hover at post-Crash record highs. But stocks of home improvement related companies have yet to take off in the same fashion.

Following a period of virtually no price movement, 25 of these companies experienced declines in the two weeks ended June 16. There were 18 winners and five companies were flat.

Among retailers, National Lumber's stock was the most volatile, rising by 20 percent to $2.25 per share. This period ended just prior to National's annual shareholders' meeting at which company president Mel Jaffee outlined plans to bolster his chain, which has lost $6 million in the last five quarters (*see page 2*).

Other dealer winners included General Building Products (up 9.1 percent to $3 per share), and Standard Brands Paint (up 8.1 percent to $16.63). Home Depot, which has just announced a stock split, saw its share price fall 6.6 percent to $41.

On the manufacturer side, there were mostly declines. DeSoto's stock continues to exhibit the ups and downs it's had all year, as its stock price fell 12.2 percent to $36. Over 45 million shares of Weyerhaeuser's stock were traded over this 14-day stretch—the most of any manufacturer tracked for *NHCN* by Media General—though its share price showed only a marginal decline.



HOME CENTER MARKET SUMMARY

National Home Center News

Company and Market	Stock Market: Price 2-Weeks Ended 6-16-89	2-Weeks Change Amt.	2-Weeks Change Pct.	2-Week Range High	2-Week Range Low	52-Week Range High	52-Week Range Low	Volume 2-Weeks Shares Traded Total	Volume 2-Weeks Shares Traded % Out	Volume 12-Week Avg. Vol. As % Out	Volume Trend Change	Financial Update: P/E Ratio	Indicated Divd. Rate Amt.	Indicated Divd. Rate Yld.	Latest Report New Report	Latest Report Period	Latest Report Date Ended	Latest Quarter Revenue Amt.	Latest Quarter Revenue Chg.	Latest Quarter Net Income Amt.	Latest Quarter Net Income Chg.	Latest Quarter E.P.S. Amt.	Latest Quarter E.P.S. Chg.	Year-to-Date Revenue Amt.	Year-to-Date Revenue Chg.	Year-to-Date Net Income Amt.	Year-to-Date Net Income Chg.	Year-to-Date E.P.S. Amt.	Year-to-Date E.P.S. Chg.
-	$	$	%	$	$	$	$	(100)	%	%	%	-	$	%	-	-	-	$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Retailers																													
Gen Bldg Prods M	3.00	.25	9.1	3.50	2.75	6.00	2.75	338	.84	.30	180.0	NE	.00	.0	.....	3 mos.	02-89	20.9	40.3	- 1.0	NE	- .25	NE	20.9	40.3	- 1.0	NE	- .25	NE
Grossman's Inc M	8.63	- .38	- 4.2	9.75	8.63	9.75	4.88	44,385	16.99	6.32	168.8	15.1	.00	.0	.....	3 mos.	03-89	219.6	7.6	- 7.4	NE	- .28	NE	219.6	7.6	- 7.4	NE	- .28	NE
Hechinger A M	17.38	- .63	- 3.5	18.00	17.25	20.00	15.88	10,483	5.12	3.42	49.7	NA	.16	.9	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B M	18.00	.25	1.4	18.25	17.50	20.00	15.75	362	.24	.13	84.6	14.2	.06	.3	.....	3 mos.	04-89	274.9	15.1	7.3	- 17.0	.21	- 12.5	274.9	15.1	7.3	- 17.0	.21	- 12.5
Home Depot N	41.00	- 2.88	- 6.6	44.00	40.50	44.00	22.88	12,152	2.44	1.39	75.5	25.3	.12	.3	.....	3 mos.	04-89	641.5	43.6	25.9	34.9	.50	31.6	641.5	43.6	25.9	34.9	.50	31.6
Interco N	2.50	.00	.0	3.13	2.50	3.88	1.88	58,093	16.06	4.21	281.5	NA	.00	.0	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
K mart Cp N	36.88	- 1.00	- 2.6	38.13	36.13	40.38	31.25	92,610	4.65	1.85	151.4	9.5	1.64	4.4	.....	3 mos.	04-89	6068.2	3.9	94.1	- 22.1	.47	- 21.7	6068.2	3.9	94.1	- 22.1	.47	- 21.7
Lowe's Cos N	25.50	.25	1.0	25.88	25.13	27.25	18.75	5,230	1.41	.86	64.0	13.9	.48	1.9	.....	3 mos.	04-89	602.1	1.9	14.6	- 3.3	.39	.0	602.1	1.9	14.6	- 3.3	.39	.0
NHD Stores M	8.50	.38	4.6	9.00	8.00	9.00	4.63	397	3.05	1.26	142.1	11.3	.00	.0	NEW	3 mos.	04-89	10.5	7.1	- .1	NE	- .10	NE	10.5	7.1	- .1	NE	- .10	NE
Natl Lumber M	2.25	.38	20.0	2.63	2.25	3.25	1.75	175	.31	.34	- 8.8	NE	.00	.0	.....	3 mos.	04-89	34.3	- 10.0	- 1.4	- 100.0	- .24	- 100.0	34.3	- 10.0	- 1.4	- 100.0	- .24	- 100.0
Scotty's Inc N	16.38	1.00	6.5	16.50	15.25	16.50	10.50	6,271	4.28	2.01	112.9	56.5	.52	3.2	.....	9 mos.	03-89	149.1	8.6	3.4	- 2.9	.23	.0	418.1	6.0	1.4	- 83.1	.09	- 83.9
Sears, Roebuck N	46.00	- 1.38	- 2.9	47.63	45.63	48.13	34.75	65,701	1.78	1.22	45.9	17.5	2.00	4.3	.....	3 mos.	03-89	12160.5	- 1.1	257.7	43.6	.70	48.9	12160.5	- 1.1	257.7	43.6	.70	48.9
Std Brd Pnt N	16.63	1.25	8.1	16.88	15.13	18.50	11.75	5,443	9.52	3.05	212.1	NE	.00	.0	.....	9 mos.	10-88	80.5	2.2	1.3	- 69.8	.17	- 67.3	236.1	- .2	3.9	- 69.5	.50	- 67.7
Strober Organiz M	5.88	- .13	- 2.1	6.13	5.75	11.75	5.25	1,100	1.81	.71	154.9	10.1	.00	.0	.....	3 mos.	03-89	29.5	5.0	.0	- 100.0	.00	- 100.0	29.5	5.0	.0	- 100.0	.00	- 100.0
Wolohan Lumber M	17.75	- .50	- 2.7	18.00	17.25	27.00	14.25	975	1.67	1.97	- 15.2	9.2	.28	1.6	.....	3 mos.	03-89	49.0	15.8	.9	12.5	.15	7.1	49.0	15.8	.9	12.5	.15	7.1
Wholesalers																													
Hughes Supply N	18.50	- .13	- .7	18.75	18.25	19.00	16.50	389	.80	.54	48.1	9.4	.36	1.9	.....	3 mos.	04-89	126.2	8.3	2.0	- 4.8	.41	- 4.7	126.2	8.3	2.0	- 4.8	.41	- 4.7
Moore-Handley M	4.25	.00	.0	4.25	4.25	4.75	3.75	18	.08	.28	- 71.4	NE	.20	4.7	.....	3 mos.	03-89	23.4	- 9.3	- .2	NE	- .07	NE	23.4	- 9.3	- .2	NE	- .07	NE
Manufacturers																													
Am Consum Prods M	9.13	.38	4.3	9.25	8.75	12.50	8.75	120	.46	.21	119.0	12.9	.00	.0	.....	3 mos.	03-89	20.5	17.1	.5	25.0	.18	5.9	20.5	17.1	.5	25.0	.18	5.9
Am Woodmark M	12.25	.25	2.1	12.50	11.88	12.25	8.00	1,910	2.53	.33	666.7	13.8	.00a	.0	.....	9 mos.	01-89	38.9	30.1	1.3	85.7	.17	325.0	118.3	23.2	5.8	31.8	.77	32.8
Armstrng Wrld N	37.75	- 2.00	- 5.0	41.00	37.50	41.00	31.75	18,121	3.92	1.87	109.6	10.8	1.06	2.8	.....	3 mos.	03-89	710.1	12.8	37.4	- 4.1	.81	- 3.6	710.1	12.8	37.4	- 4.1	.81	- 3.6
Black & Decker N	19.63	- .63	- 3.1	20.38	19.25	25.25	18.13	17,120	2.92	3.28	- 11.0	10.6	.40	2.0	.....	6 mos.	03-89	570.7	6.1	25.8	21.7	.44	22.2	1276.2	11.0	64.2	22.8	1.09	22.5
Boise Cascade N	44.75	1.25	2.9	45.63	44.38	47.50	39.25	23,690	5.27	1.76	199.4	6.8	1.40	3.1	.....	3 mos.	03-89	1099.1	8.1	52.2	- 23.8	1.74	18.4	1099.1	8.1	52.2	- 23.8	1.74	18.4
Catalina Lghtg A	12.63	- .38	- 2.9	13.25	11.00	15.25	5.25	5,128	13.96	3.27	326.9	23.4	.00	.0	NEW	6 mos.	03-89	13.1	122.0	.7	250.0	.18	80.0	22.1	104.6	1.1	175.0	.30	76.5
Champ Intl N	34.00	.13	.4	34.38	33.13	38.00	29.50	32,506	3.41	1.69	103.0	6.9	1.10	3.2	.....	3 mos.	03-89	1288.7	1.8	113.5	11.3	1.19	11.2	1288.7	1.8	113.5	11.3	1.19	11.2
Clairson Intl M	5.50	- .25	- 4.3	5.88	5.00	7.38	2.75	782	1.54	2.56	- 39.8	NE	.00	.0	.....	9 mos.	06-88	27.2	46.2	- 2.1	- 100.0	- .43	- 100.0	78.4	45.7	- 4.3	- 100.0	- .85	- 100.0
Cooper Indus N	32.13	- 1.63	- 4.8	34.25	31.50	34.25	25.06	23,999	2.38	1.01	135.6	14.2	1.00	3.1	.....	3 mos.	03-89	1039.2	12.3	36.0	18.0	.37	15.6	1039.2	12.3	36.0	18.0	.37	15.6
DeSoto Inc N	36.00	- 5.00	- 12.2	43.25	36.00	52.50	29.75	2,040	5.09	3.94	29.2	51.4	1.40	3.9	.....	3 mos.	03-89	99.0	.5	1.4	- 22.2	.35	- 20.5	99.0	.5	1.4	- 22.2	.35	- 20.5
Enhart Corp N	39.63	.13	.3	39.75	39.00	42.75	18.88	1,897	.30	1.96	- 84.7	19.6	.88	2.2	.....	fiscal	12-88	723.2	8.8	33.5	26.9	.52	23.8	2762.5	12.5	126.6	18.9	2.02	18.8
Georgia Pacific N	46.13	- 1.00	- 2.1	47.38	45.38	47.50	33.25	24,062	2.54	1.33	91.0	8.6	1.40	3.0	.....	3 mos.	03-89	2447.0	15.7	154.0	45.3	1.65	61.8	2447.0	15.7	154.0	45.3	1.65	61.8
La Pacific N	33.50	- .38	- 1.1	34.63	33.00	37.50	26.00	10,772	2.79	1.32	111.4	8.7	1.00	3.0	.....	3 mos.	03-89	467.0	- 3.3	39.9	- 14.2	1.06	- 12.4	467.0	- 3.3	39.9	- 14.2	1.06	- 12.4
Macmillan Bloedel M	14.63	- .63	- 4.1	15.25	14.50	17.38	13.88	6,390	.62	.21	195.2	5.9	.80	5.5	NEW	3 mos.	03-89	676.7	4.9	61.5	- 17.1	.57	- 17.4	676.7	4.9	61.5	- 17.1	.57	- 17.4
Manville Cp N	7.63	.00	.0	7.88	7.63	8.88	6.38	7,016	2.92	1.40	108.6	NA	.00	.0	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Masco Corp N	29.00	.13	.4	29.63	28.50	30.00	23.63	32,919	2.40	1.16	106.9	14.5	.48	1.7	.....	3 mos.	03-89	659.0	18.5	65.2	- 14.3	.50	- 16.7	659.0	18.5	68.2	- 14.3	.50	- 16.7
Mor-Flo Inds M	6.88	.38	5.8	6.88	6.25	7.75	4.50	76	.30	.48	- 37.5	NE	.01	.1	.....	3 mos.	03-89	56.1	1.3	- .9	NE	- .36	NE	56.1	1.3	- .9	NE	- .36	NE
Newell Co N	39.00	- 1.50	- 3.7	40.38	37.75	40.88	21.00	5,637	1.93	1.10	75.5	16.8	.76b	1.9	.....	3 mos.	03-89	271.9	15.1	14.0	41.4	.46	43.8	271.9	15.1	14.0	41.4	.46	43.8
Nortek Inc N	9.00	.13	1.4	9.13	8.63	10.38	6.38	2,097	1.42	.59	140.7	21.4	.10	1.1	.....	3 mos.	03-89	319.3	- 5.3	- 4.9	- 100.0	- .34	- 100.0	319.3	- 5.3	- 4.9	- 100.0	- .34	- 100.0
Owens Corn N	31.63	- .25	- .8	33.00	31.38	33.00	19.50	12,156	3.04	1.28	137.5	6.5	.00	.0	.....	3 mos.	03-89	685.0	5.2	34.0	21.4	.82	24.2	685.0	5.2	34.0	21.4	.82	24.2
Ply-Gem A	13.25	- 1.13	- 7.8	14.38	13.25	15.63	11.38	1,342	1.24	1.05	18.1	10.1	.12	.9	.....	3 mos.	03-89	98.3	10.0	2.2	- 35.3	.20	- 33.3	98.3	10.0	2.2	- 35.3	.20	- 33.3
Pope & Talbot N	23.50	- .25	- 1.1	24.00	23.25	24.00	16.13	2,953	2.50	1.06	135.8	8.4	.60	2.6	.....	3 mos.	03-89	147.5	27.5	5.7	- 28.8	.80	19.4	147.5	27.5	5.7	- 28.8	.80	19.4
Pottatch Cp N	35.00	- 2.50	- 6.7	37.63	33.75	38.00	29.00	5,595	2.08	.90	131.1	8.0	1.04	3.0	.....	3 mos.	03-89	297.4	15.2	35.9	35.5	1.30	36.8	297.4	15.2	35.9	35.5	1.30	36.8
PPG Inds N	44.75	- .75	- 1.6	46.00	44.13	46.88	36.25	15,155	1.31	.63	107.9	10.3	1.52	3.4	.....	3 mos.	03-89	145.9	- 89.4	129.8	9.4	1.15	7.5	145.9	- 89.4	129.8	9.4	1.15	7.5
Rep Gypsum N	5.75	.50	9.5	5.75	5.38	6.38	4.25	373	.37	.27	37.0	24.0	.20	3.5	.....	9 mos.	03-89	11.9	.0	.4	300.0	.04	300.0	37.5	- 4.6	1.7	30.8	.17	30.8
Sherwin-Wms N	28.38	- 1.38	- 4.6	30.88	28.25	31.63	24.88	20,655	4.80	1.41	240.4	12.3	.70	2.5	.....	3 mos.	03-89	464.8	12.4	8.8	4.8	.20	5.3	464.8	12.4	8.8	4.8	.20	5.3
Stanley Works N	34.88	.50	1.5	36.75	34.00	36.75	24.00	10,419	2.43	1.26	92.9	14.1	.96	2.8	.....	3 mos.	03-89	480.6	3.1	24.6	15.5	.57	16.3	480.6	3.1	24.6	15.5	.57	16.3
Thos Inds N	19.38	.00	.0	19.38	18.50	23.31	18.25	1,089	1.07	.62	72.6	11.5	.72b	3.7	.....	3 mos.	03-89	87.5	6.6	5.3	6.0	.52	13.0	87.5	6.6	5.3	6.0	.52	13.0
Union Camp N	37.13	.13	.3	38.50	36.75	38.63	31.00	24,775	3.60	1.27	183.5	8.3	1.48	4.0	.....	3 mos.	03-89	706.2	9.4	79.7	17.7	1.16	22.1	706.2	9.4	79.7	17.7	1.16	22.1
USG N	5.50	.00	.0	6.00	5.25	7.75	4.75	12,006	2.22	1.05	111.4	3.3	.00	.0	.....	3 mos.	03-89	538.0	- 3.7	2.6	- 93.5	.05	- 93.5	538.0	- 3.7	2.6	- 93.5	.05	- 93.5
Waxman Ind M	7.88	- .50	- 6.0	8.38	7.88	12.25	7.00	2,598	2.81	1.90	47.9	10.2	.10	1.3	.....	9 mos.	03-89	48.9	26.7	1.8	- 5.3	.20	.0	146.9	31.7	5.1	8.5	.56	12.0
Weyerhaeuser N	29.13	- .50	- 1.7	29.63	28.13	30.88	23.25	45,548	2.24	1.28	75.0	9.6	1.20	4.1	.....	3 mos.	03-89	2321.3	25.1	148.1	29.7	.70	94.4	2321.3	25.1	148.1	29.7	.70	94.4

All Data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share

Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

Management plans buyout of Olympic Home Care

(Continued from page 3)
division. Net income is not disclosed, but last year Olympic Home Care posted pretax earnings of $2.9 million, which is less than 2 percent of Clorox's pretax earnings of $212 million. The division's sales in 1988 were $107 million, or around 8 percent of Clorox's $1.3 billion in revenue.

It could not be determined whether other paint companies would be interested in purchasing the division or its constituent parts. It is believed by analysts covering Clorox that it would be willing to break up Olympic and Lucite in order to sell them separately if there were no buyers for the tandem.

Two of the more likely candidates could be Sherwin-Williams, the largest paint maker in the United States, which does not offer a stain product to compliment its paint brand; and Valspar, the aggressive manufacturer based in Minnesota which markets under its own name as well as Colony Paint and the three divisions sold by Enterprise Paint Cos., which Valspar acquired in 1987.

A spokesman for Valspar declined comment about his company's potential interest in purchasing any part of Olympic Home Care.

The market has changed radically since Clorox acquired these two companies, particularly on the stain side of the business. Olympic's dominance of the market has been challenged recently by the plethora of companies—Glidden, Dutch Boy, Dap, Wolman, Thompson/Formby, Behr, Cuprinol, to name a prominent few—that have brought out house and deck stain products.

Olympic Stain, like so many other products with a high degree of consumer awareness, has evolved into a traffic-building loss leader for many dealers, with the result being low profits.

Some retailers have sought out alternative stain sources to distinguish their offering from their home center and discounter competitors which were offering Olympic. However, other retailers insist that, regardless of its margins, Olympic Stain has emerged as a staple for a full-line paint department.

"There are lines out there you can make a lot more money on, but we all have the fear of walking away from a brand this strong," said a buyer for one of the industry's largest home center chains. "The other brands out there remain untested and unproven for most consumers."

Another East Coast retailer, whose stores dropped Olympic two years ago only to bring it back again last year, laments the "single digit" margins he's getting on the product, but was quick to note that his stores "sell a ton of Olympic; we make up in volume what we lose in profit."

Real estate developer is added to the Central acquisition deal

(Continued from page 2)
what percentage each partner holds in this venture. Central and Witte were sold by their parent, Interco Co. in St. Louis, to reduce debt.

Players added as deal grew

Originally, Handy Andy and its parent company were poised to buy Central alone. But just before the May 8 purchase agreement was signed, Salomon Brothers was asked to participate because of the size of the deal.

With the June closing, Central Hardware becomes an "affiliate" of Handy Andy, meaning the companies share certain common ownership and control. Kadish said Handy Andy anticipates "no changes in Central. It will be run as a separate business, an independent, well-run, free-standing business."

Cohen said he would attempt to emulate the look of Handy Andy's stores. He also thought Central brought distribution and operational expertise to the new venture.

Diamond opens its first unit since bailing from Chapter 11

By an NHCN staff editor

RENO, Nev. — Diamond Company in early June opened its 64th location, and its first since being bailed out of Chapter 11 in April 1988.

The company's newest contractor yard sits on a five-acre former truss-making facility here. It is 70 miles from another Diamond outlet in Lake Tahoe, Calif.

Diamond president Jerry Grubstein said the company had already been doing a substantial business with contractors in Reno. He said some of those accounts, because of their location, will continue being serviced from Lake Tahoe.

The Reno yard has been fully stocked with lumber, and workmen are in the process of converting a 600-square-foot office area into a showroom for building tools. Yard manager Mark Johnson said 90 percent of business will be from contractors.

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National Home Center News®

SECOND CLASS

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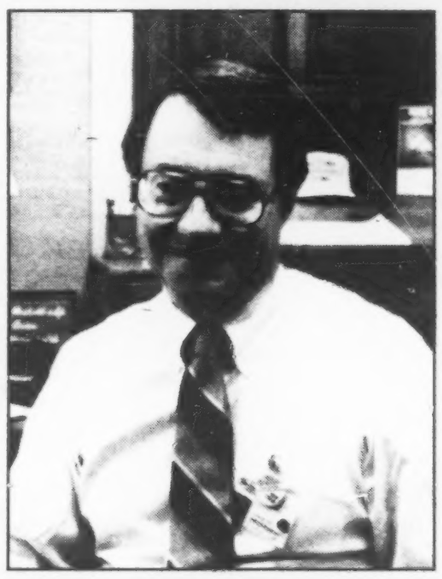
Slowly, Dan Cotter takes reins of nation's largest co-op

By Gary S. Ruderman

CHICAGO — After 10 years at the helm of the nation's largest hardlines co-op, Dan Cotter is shaping Cotter & Co. in his own image.

The 54-year-old president and ceo of the $2 billion buying group has been overhauling Cotter's headquarters personnel. Dealer demands and slower sales growth in recent years also have moved Cotter to rework the buying group's advertising, its services to stores and, most important, the way it will conduct business in a more competitive environment.



Dan Cotter promises "a lot more changes" for his buying group. NHCN photo

"There will be a lot more changes coming," says Cotter during a recent interview with *NHCN*, although he provided no immediate elaboration.

Cotter's bigger challenge, though, in the months and years ahead will be to emerge from the shadow cast by John Cotter, his 84-year-old father who founded the co-op 40 years ago and has remained its dominant symbol to company employees and dealers alike.

Like a young hardware store owner who's trying to replace a father who had a personal relationship with every one of his customers, Dan Cotter faces more than simply rearranging the corporate furniture in trying to step in for his father and assume greater control of the organization.

Already there are the doubters—some vendors, dealers, former employees—who question whether Dan Cotter is capable of making anything more than cosmetic changes while his father, who remains the co-op's chairman, looms large over his shoulder. They also question whether newly promoted employees—who are still steeped in "The Cotter Way"—will be any different from the people they replace.

Cotter is aware of this criticism, but he waves it aside, insisting that the changes are being made with the blessing of his father, about whom he, too, speaks reverently.

(Continued on page 58)

Boise Cascade devises bar coding for studs

Shipment to HomeClub could spell new era for inventory management

By Brad Altman

FULLERTON, Calif. — When HomeClub receives a shipment of 69,000 board feet of premium-grade studs from Boise Cascade in early August, the home improvement industry will move one step closer to total computerized inventory management.

Universal Product Code (UPC) stickers will be attached to the end of each stud in that carload of lumber, which is scheduled to arrive in Los Angeles and then be distributed to HomeClub warehouse units on the West Coast.

The stickers will have been mechanically applied by automated equipment at Boise Cascade's sawmill in Elgin, Ore. When a store-level cashier waves a hand scanner over the tag, point-of-sale computers will read the code and automatically price the item.

Boise Cascade is a soldier in an army of wood products manufacturers that has been working on developing bar coding for lumber. Boise Cascade has apparently become the first to offer universal price coding on stud products, said Ward Hitchings, director of construction specifications and information services for the National Forest Products Association (NFPA), Washington.

Earlier last month, Hancock Lumber sent its first shipment of shelving products bearing UPC stickers through a wholesaler with its final destination being Pergament's stores on Long Island, N.Y. (*NHCN*, June 19).

The 55-unit HomeClub warehouse chain headquartered here is Boise Cascade's largest customer of premium studs and was chosen as the first retailer to get the bar-coded lumber because it now has scanning in all its stores.

The Home Depot and Builders Square are expected to tie into the bar-coded lumber program next, although any retailer may special order the product from Boise Cascade.

The Home Depot is now testing

(Continued on page 58)

New Builders Emporium head plucked from discount ranks

By an NHCN staff editor

IRVINE, Calif. — Wickes Cos. has again chosen a veteran of the discount store industry to become president and ceo of its Builders Emporium division headquartered here.

James T. McKitrick, 43, was scheduled to begin work at BE on July 10, only three days after his official departure date from 688-unit Ames Department Stores, Rocky Hill, Conn., where he was executive vp and chief administrative officer.

McKitrick replaces Jack Edwards, who resigned this past spring less than three years after his arrival. He also was from the discount industry, accepting the BE post from Rose's, a discount store chain in Henderson, N.C., where he was ceo.

Ted Kazleman, BE's executive vp who had been a candidate for the top job, had been act-

(Continued on page 60)

James T. McKitrick has been named by Wickes Cos. to head Builders Emporium.

Photo courtesy *Discount Store News*

New owner redirects Great Plains Supply toward contractor sales

By an NHCN staff editor

ST. PAUL, Minn. — A heavier emphasis on selling contractors and a major investment in revamping its operations are in the future for Great Plains Supply, the 34-store chain spread through the upper Midwest that was sold to a local investor last month.

Michael R. Wigley, who paid $12.5 million to buy the predominantly rural chain from Harvest States Cooperative, St. Paul, said he plans to hire 12 new outside salesmen.

"In most of the small, rural markets it's important to expand sales reach with outside sales," said Wigley, 35, a former management consultant from Plymouth, Minn., near St. Paul. By the end of June, the company had added four new outside salespeople.

Wigley said Great Plains, with 1988 sales of $40 million from its small yards and two truss plants, plans to spend $2.5 million this year to improve merchandising, systems, training and marketing.

He described his acquisition of the chain as highly leveraged.

Harvest States, which holds some of the new company's debt, is a grain cooperative. Great Plains was acquired with another operation in 1943. Company officials were unavailable for comment, but Wigley said the chain no longer fit with Harvest States' core business of buying, shipping and processing grain and was put on the sale block earlier this year.

Although Wigley has no prior experience in the lumber business, he said he was attracted to the industry because it was a "basic business. There's consolidation going on right now and the right strategy has a good opportunity to win." Additionally, Wigley would consider further acquisition as the industry continues to consolidate.

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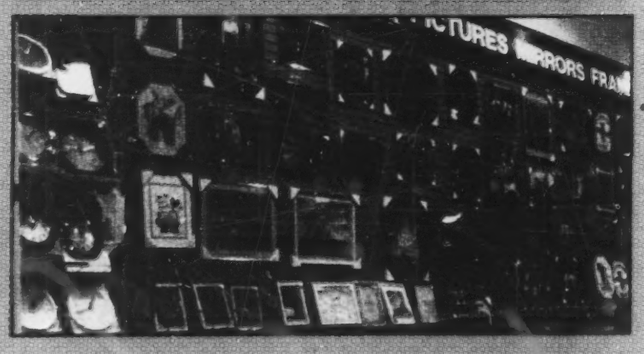

Housewares increase home center presence 37

Handy Andy partner, Milwaukee chief dies

MILWAUKEE — Bruce G. Barter, a veteran of home improvement retailing for more than 25 years, died June 27, reportedly of a brain tumor. He was 61.

Bruce G. Barter with his wife, Marsha. NHCN photo

For the last four years, Barter had been chief operating officer and a partner of Handy Andy Home Improvement Centers' three-unit division here. "There wasn't a finer individual in this industry in terms of morals, style or class than Bruce," said Ron Rashkow, Handy Andy's chairman. "Another good person has left us."

Before joining Handy Andy in 1985, Barter had spent 23 years with the Kindt Corp., a retailer based in Lomira, Wis., which he was instrumental in building into an eight-unit operation as its executive vp. According to Rashkow, Barter was interested in purchasing Kindt until it was bought by Edward Hines Lumber.

Barter is survived by his mother, Irene; his sister, Janice Miritello; his wife, the former Marsha K. Russell; his daughters Karen and Gale O'Loughlin; and the latter daughter's children, Gwen and Timothy.

The family requests that memorial donations be sent to either the American Cancer Society or The Milwaukee Home Hospice.

INDUSTRY UPDATE

Moore's promotes two execs to vp

ROANOKE, Va. — Moore's, the 59-store division of Grossman's Inc., has promoted two executives to vice president positions.

Alan Koerner, 42, is now vp-general merchandise manager. Over the previous three years he was a senior buyer and senior merchandise manager and has also held merchandising positions at Montgomery Ward.

Robert Strong, 43, who joined Moore's in January 1988 as operations director, is now the company's vp-operations. Strong's retailing experience spans 20 years with such companies as Mr. HOW Warehouse, W.E. Walker and Gold Circle.

HomeClub to open 1st in Portland

PORTLAND, Ore. — Officials for HomeClub, the Fullerton, Calif.-based chain, said it would open its first warehouse in Oregon on July 27 and its second unit in Arizona on Aug. 3 , raising its chainwide store count to 56 units in 10 Western states.

The 103,000-square-foot Portland unit will be located at 1950 N.E. 122nd Avenue while the 100,000-square-foot outlet in Phoenix will be located at 3223 W. Indian School Road. Both stores have outside nurseries totaling nearly 10,000 square feet.

Ex Lloyd ceo moves to barter co.

NEW YORK — An executive who briefly ran Lloyd Home and Building Centers has re-emerged in the product bartering business.

Gerald J. Morgasen has recently been named executive vp of D&W Enterprises here, a diversified services, inventory liquidation and merchandising company that specializes in trading products and services without cash. Many of its clients are in the home improvement business.

Morgasen, 57, had been the ceo of Lloyd's, the Danbury, Conn.-based chain, from Dec. 13, 1988 through March 30. He left when Lloyd's parent, American Maize, decided not to sell the chain. His background also includes stints with Caldor and Korvettes.

At D&W, he will be responsible for the acquisition and sale of suppliers' and dealers' distressed merchandise, and, according to a prepared statement, "will research the possibility of a home center chain acquisition by D&W."

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California law firm to challenge written tests for job applicants

By Brad Altman

OAKLAND, Calif. — Written tests widely used by home centers and others to screen job applicants are about to be challenged as "an invasion of privacy" by a law firm based here.

Farnsworth, Saperstein & Seligman, which specializes in class action employment litigation, this month is planning to bring a suit against an unidentified retail chain that currently uses so-called paper-and-pencil psychological tests. Its officials declined to reveal who they are representing.

If this firm's efforts are successful, retailers in this state could lose one of their last instruments to systematically evaluate the attributes of a prospective applicant. There is also the fear that the elimination of such tests here could spread to other areas of the country.

The written honesty tests have grown in popularity since last December, when Congress enacted the Employee Polygraph Protection Act that bans lie-detector tests nationwide in most circumstances.

Attorney Brad Seligman said his firm believes that the written tests are degrading and violate a 26-year-old California law that gives employees a right to privacy.

"There is no evidence whatsoever that [written] psychological tests, which ask intrusive questions, buy you a more stable and honest work force," Seligman said.

That argument is supported

(Continued on page 58)

Court decision keeps Leonhardt Lumber afloat after Chapter 11

By Tim O'Malley

OKLAHOMA CITY — A Federal judge gave the go-ahead late last month for officials for the three-unit H.E. Leonhardt Lumber Co. to use sales and other cash to keep the 82-year-old company operational after its recent Chapter 11 bankruptcy filing.

"We're fully operational at the moment," said Steve Mattingly, Leonhardt's ceo. "Many vendors are calling for C.O.D., but some are still selling to us on open credit."

The court ruling also buys some time for company executives to seek out new capital from local lenders for short- and long-term loans, as well as allowing them an opportunity to enact cost-cutting measures that Mattingly says could include layoffs and merchandising changes.

Reeling from the economic crisis that continues to strangle this state, Leonhardt's filed for protection under Chapter 11 of the U.S. Bankruptcy Code in May after its primary lender, Liberty National Bank and Trust Company, told the retailer that it

(Continued on page 53)

Leonhardt's Big L Home Center located in Oklahoma City. NHCN photo

Hechinger slated to open first remodeled Bradlees units in fall

By Elizabeth Brent

LANDOVER, Md — Hechinger will reopen the first of the stores it purchased from Bradlees last year in late September or early October, according to a company spokesperson.

Pam Redfern, corporate secretary at the chain, wouldn't disclose how many stores will reopen initially, but stated that these remodeled units will be the first of 10 former Bradlees stores slated to reopen as Hechinger units in 1989. They are located primarily in the Washington-Baltimore area. A number of stores will open in rapid succession, but Redfern declined to give more details.

Also opening in early fall will be two larger former Bradlees in Durham, N.C., and Norfolk, Va., that are currently being converted to the format of Home Quarters Warehouse, Hechinger's warehouse chain subsidiary.

Hechinger originally purchased 47 Bradlees stores from its parent Stop & Shop for $118 million. It immediately exercised its option to sell back 14 stores in the Philadelphia market to the parent company, so in effect purchased 33 units for $83 million, a deal which was finalized in March 1989.

It has systematically sold off the leases to the Bradlees stores, which company officials believed were located too close to existing Hechinger units. By the end of the first quarter it had sold off 14 leases.

These included the sale of seven stores to K mart, with the proviso that they wouldn't be converted into Builders Square units. (K mart is that warehouse chain's parent company.) Negotiations are still underway with other companies to sell several other stores, according to Redfern.

She estimates that the final amount from the remarketing of all the units will be $30 million, bringing the net cost of the Bradlees purchase to $53 million.

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Insurers balk at payment for unsolved Strober death

By Elizabeth Brent

BROOKLYN, N.Y.— Seventeen months after the violent death of Eric Strober, former president and chief executive officer of the Strober Organization, the case is far from being settled.

The company executives who are beneficiaries are suing the two insurance companies for $40 million, which is earmarked to buy back Strober's 50.1 percent controlling interest of the company from his wife, Susan.

The 46-year-old Strober, who plunged to his death from a 22nd floor window on Jan. 26, 1988 in Manhattan, left behind insurance policies with both the Equitable Life Assurance Society of the U.S.A. and Mutual Benefit Life Insurance company (*NHCN*, Feb. 8 and 22, 1988).

These were written shortly after the company went public in 1986, but had a proviso that for the first two years his beneficiaries would be paid for any cause of death other than suicide. After that time any cause of death qualified.

The medical examiner has ruled Strober's death an apparent suicide and police investigators agree; consequently, the insurers are balking at payment.

Gary F. Kulick, president and ceo at Strober. NHCN photo

However, the beneficiaries state there is no evidence to support this verdict and are together suing the two insurance companies in the Brooklyn Supreme Court.

A long article in *The Wall Street Journal* last month again raised the specter that foul play may have been behind the death, although the article posed more questions than it answered, particularly concerning possible organized crime involvement.

"We don't know whether it's suicide, murder or what," Gary F. Kulick, president and chief executive officer of the Strober Organization and personal friend of the Strober family, told *NHCN*. "But the policy should be paid, as there is nothing to indicate he committed suicide."

Three different policies

At stake is the majority ownership of Strober Organization, whose 12 stores generated $145 million in sales last year. Strober, known as Rick to his friends, had run the company since 1962. The company's growth has been enhanced by its acquisition of General Building Supply, the three-store operation in East Hartford, Conn., in 1987.

(Continued on page 60)

AHMA ponders plan to boost smaller members' exporting

By Ken Schept

WASHINGTON — The American Hardware Manufacturers Association (AHMA) is investigating the establishment of a trading export company under its auspices.

The purpose of this entity would be to enhance the exporting ability of the association's small and medium size members by providing economies of scale.

This approach comes in response to U.S. hardware suppliers' growing interest in exporting, particularly to the European Community (EC).

The trading company plan was revealed during a conference called *Getting Ready for EC '92: Europe Without Borders*, which the AHMA sponsored last month at Georgetown University.

"The AHMA board has approved a three-year commitment of substantial funds to really get into the worldwide market," said association president Bill Farrell. A trading export company could be part of that program.

Exporting seen as challenge

Most of AHMA's members are companies with annual sales between $10 million and $100 million. Exporting, particularly to a changing Europe, is fraught with special challenges for companies of this size.

On Dec. 31, 1992, the 12 member countries of the EC are supposed to become a single market of 320 million people unified economically by regulations and product specifications.

However, for many hardware categories the new regulatory environment is still unclear. Small and medium size manufacturers find it difficult to gain information about proposed changes, let alone influence them.

There are many critical implications related to these changes, according to speakers at the conference:

- Europeans may be extremely protective of consumer safety;
- It's unlikely restrictive "Fortress Europe" protections will be enacted; but
- European companies may get stronger because of the 1992 consolidation, and be able to compete better in the U.S.

Product safety concerns

Europeans are extremely concerned that the risk of being hurt by a defective product may increase as consumers are exposed to merchandise made outside their own country, according to G. Marc Whitehead, an attorney with the Minneapolis firm of Popham, Haik, Schnobrich & Kaufman.

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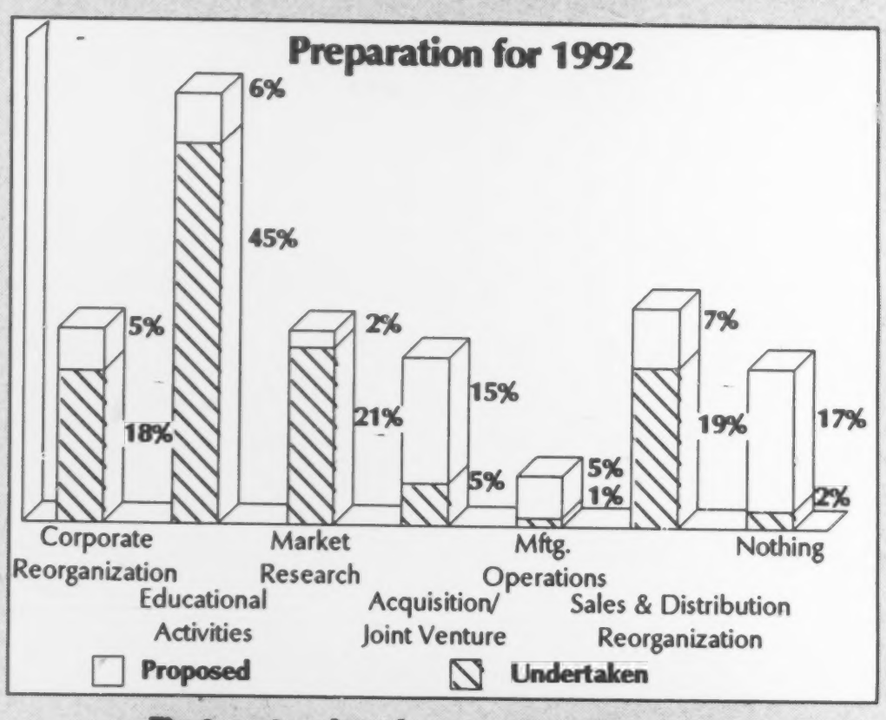
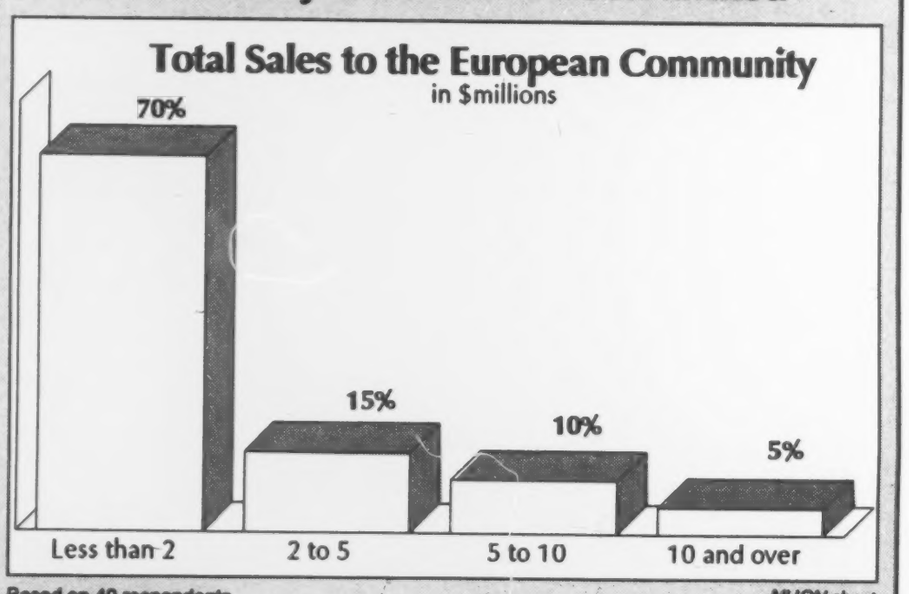
AHMA members attending the Georgetown conference have been preparing for 1992...



...But actual sales to the European community have so far been limited



Lumber 'summit' fails; log supply in jeopardy

By Gary S. Ruderman

PORTLAND, Ore. — A failed truce between environmentalists and forest products companies on the future of logging puts in jeopardy more jobs and lumber supplies in the fall and winter months.

A prospective shortage of larger logs, as a result of this breakdown, "will have a profound effect on [retail] prices," says Harry Johnson, lumber buyer for the 13-unit Lumbermen's division of Lanoga in Redmond, Wash.

Because the harvesting and sale of older, larger diameter trees remain subject to litigation, smaller and smaller trees must be cut, Johnson explains. Already prices are up significantly on larger dimensional pieces because smaller diameter trees yield fewer pieces of larger dimensional lumber.

Last month, a hastily arranged summit meeting convened here in an attempt to strike a compromise between the industry's need for more lumber and environmentalists' concerns over the Northwest's old-growth timber stands and the Northern spotted owl.

During this meeting, a coalition of lumber groups agreed to a billion board foot cutback in harvesting areas identified by environmentalists as habitats for the spotted owl. In exchange, environmentalists would have dropped lawsuits filed in federal court last year which effectively halted sales of 8 billion board feet in Northwest timber.

But the fractionalized coalition of environmentalists failed to reach a consensus on the pact, which was put forward June 27 by Oregon's Gov. Neil Goldschmidt and Oregon's U.S. congressional delegation. Through the first

(Continued on page 58)

Climate, building codes make Miami a prime area for retailers

By Tim O'Malley

MIAMI — The rioting and looting that overtook sections of this city last January may have reinforced the image of a town plagued by crime and racial divisiveness.

But in spite of that perception, Miami continues to flourish as a mecca for conventioneers, tourists and retailers.

"It's not as bad as the media portray it," said Osvaldo Vento Jr., who with his father owns Everglades Lumber and Building Co. in Miami. "Like anything else, it depends on what you choose to believe."

Believe that Miami is one of the most lucrative markets for the home center industry, which has heavily targeted it for a decade. Miami's retail hardware and building products sales—expected to top $639 million this year—rank it 28th among all U.S. cities, and higher than any other metro area in Florida, the country's third biggest home improvement market.

The payoffs for locating here can be many. A favorable year-round climate boosts such high-margin categories as lawn and garden. And Dade County's large Hispanic population (97 percent) is viewed as a plus since this ethnic group is believed by many to be among the most active in home improvement.

MIAMI AT A GLANCE

Population:	1,906,491
Per Capita Income:	$13,662
Total Retail Sales:	$15.9 bil.
Retail Lumber/Hardware Sales:	$639 mil.

Source: Editor & Publisher — NHCN chart

Miami also has some of the strictest building codes in the country, causing headaches for contractors but more business for retailers. Specially-treated wood and barrier-free doors are two products that sell higher here.

(Continued on page 52)

EDITORIAL

Warehouse format gains popularity

A few years ago, when warehouse stores seemed to be dropping from the sky like bombs during a blitzkrieg, the industry took shelter behind this palliative: there's plenty of room for everyone.

Ken Schept
NHCN Editor

It was a comfortable thought that lulled several chains into fatal passivity. Their particular formulas were becoming obsolete.

However, the basic premise that customers will respond to a variety of retail formats seemed indisputable—until now.

Judging from stores recently opened by two of the industry's most prescient players, Lowe's and Hechinger, it seems like doing what you do best may not be enough in certain markets, unless you do it with warehouse racks and stacks of merchandise.

Lowe's, in markets like Chattanooga, Tenn., and Asheville, N.C., and Hechinger in Syracuse have eschewed their traditional—and successful—approaches for more of a warehouse look.

It's interesting that two of the industry's most fastidious companies when it comes to housekeeping have adopted a format that's proved most successful in stores whose floors are about as clean as a movie theater's after a Saturday matinee.

Apparently, the customer has spoken—loudly. In larger markets where Harry and Harriet and their friends have an opportunity to shop in The Home Depot, they do.

Or, to be less absolute about something for which I have no corroborating scientific evidence, shoppers are at least seduced by the energy in the big stores.

Look at North Jersey. Local competitors are spending a fortune on television. The Home Depot hasn't spent a dime but its single store in the market is one of the chain's greatest producers with weekly volume reportedly at about $1 million.

I think I understand the appeal. I remember growing up in the early 1950s, well before air-conditioned malls and even discount stores, when relief on a humid summer evening might be a drive to a ramshackle collection of concessions under one roof called Frankie's Market, the original destination store.

Merchandising consisted mostly of schlock in cartons or spread across tables. Finding a bargain was great, but browsing was its own reward. Warehouse stores, like The Home Depot, maintain this bazaar-like atmosphere but substitute brand name and quality private-label merchandise for the schlock.

The stores can be difficult to shop because of the amount of merchandise in the aisles. And I'm always looking up to check that none of these quality products are about to fall on my head.

Still, I wonder whether the artistic signs and the relative restraint of the new Lowe's will stimulate shoppers to buy in the way the tumult at The Home Depot does.

I can't imagine ever walking through either a Hechinger or Lowe's and having visions of Frankie's Market. Yet cartons upon cartons still seem to be a customer's biggest turn on.

—Ken Schept

COMMENTARY

Distinctiveness lost in chains' ad wars

Over the past year, Rickel, Channel and Pergament have waged one of the most aggressive and expensive advertising wars I've seen in nearly 10 years of covering this industry. Pergament and Channel in particular have been all over the airwaves with their everyday-low-price message.

John Caulfield
NHCN Executive Editor

But in recent weeks, these companies have gotten a lot more specific—some might argue arcane—about the advantages they offer consumers.

A radio spot broadcast late last month had Channel Home Centers' spokesman, the actor Robert Lansing, telling listeners that the chain's low prices apply to all "23,426" of its stock-keeping units.

A photo of a smiling Bob Vila, the former "This Old House" host, beams up from a Rickel circular and "tells the truth about selection at home centers" by stating that Rickel's stores carry "over 22,000 items." (Rickel's overall sku count is actually 28,000, but that's neither here nor there for the moment.) The ad also informs consumers about its stores' new "Early Bird" 8 a.m opening hours.

Pergament's newspaper ads tell customers its stores stock "40,000 of America's most wanted home improvement and decorative products" as part of a point-by-point explanation of "What Makes Pergament Different From All Other Home Centers."

The chain's new services—installation, free delivery up to 20 miles away for purchases over $500, and the free use of tools for a DIY job—are also identified by the ad as reflecting Pergament's "unparalleled customer responsiveness."

What's more intriguing, to me at least, is the tidbit Pergament dropped into its ad stating that its stores have sold "over 60,000,000 gallons" of paint, manufactured by its Hoboken Paint subsidiary, during what I'm assuming is its whole 50-year history.

Do consumers really determine where they shop by this minutiae? It's obvious officials at these chains think so and believe it sets their companies apart. You'd have to be living in a cave not to have been exposed to at least some of these chains' ads, so they've certainly accomplished their goal of making consumers more aware of their stores.

The one question that's still unanswered, though, is whether these ads will distinguish these retailers from The Home Depot, which expects to have up to 75 stores in the Northeast over the next decade and has seen results from its initial openings in New Jersey and Connecticut that have stunned its own people.

Already, Home Depot's store in East Hanover, N.J., which has been open for about six months, is said by the company to be pumping out sales at an annualized rate that would place it among the chain's 15 highest-volume units.

Home Depot officials have also told securities analysts that the New Jersey unit and its North Haven, Conn., store are already making money, which is almost unheard of in this business.

What happens when Home Depot revs up its promotional machinery, especially when it opens enough stores in a market to justify the cost of advertising on television, where it has been very effective in other markets? And what happens if Hechinger, Builders Square and Mr. Goodbuys decide to join the fun in a bigger way?

If you thought southern California and southeastern Florida were "blood alleys," you ain't seen nothing yet.

—John Caulfield

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Los Angeles 606 N. Larchmont Blvd., Los Angeles, CA 90004, 213-464-8321 Fax: 213-465-4287
Senior Editor **Brad Altman**
San Francisco 400 Montgomery St., San Francisco, CA 94104, 415-362-2575 Fax: 415-362-0319
Regional Manager **Richard J. Harrigan Jr.**
Washington 17735 Striley Drive, Ashton, MD 20861, 301-774-3895 Fax: 301-570-9090
Manager, Correspondent **Kenneth Rankin**
Japan Diamond-Friedman Ltd., Chain Store Age News, Japan, 1-4-2 Kasumigaseki, Chiyoda-ku, Tokyo, Japan, 504-6750

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I'm giving Mother Nature one more chance to cooperate!

Buying & Selling

Section 3

Storage category thrives despite dealers' lack of installation services

By Brad Altman

NATIONAL REPORT — The 10-unit Dixieline chain in San Diego is one of many home improvement retailers with no plans to install closet or garage organizers for customers.

Buyer Victoria Rose notes there are "four or five" specialty stores in the market focusing on such custom work.

Yet, she says, "we're shocked at the amount of volume we do" in the storage category, especially garage-oriented organization products.

Specialty dealers that cater to this custom-built storage system market continue to grow rapidly (*NHCN*, March 13). But these companies are installing much higher-end products than are normally found in home centers, and are charging top dollar for professional installation.

Consequently, the lack of installation services doesn't appear to be affecting home centers' ability to cash in on the low- and mid-priced segment of storage sales.

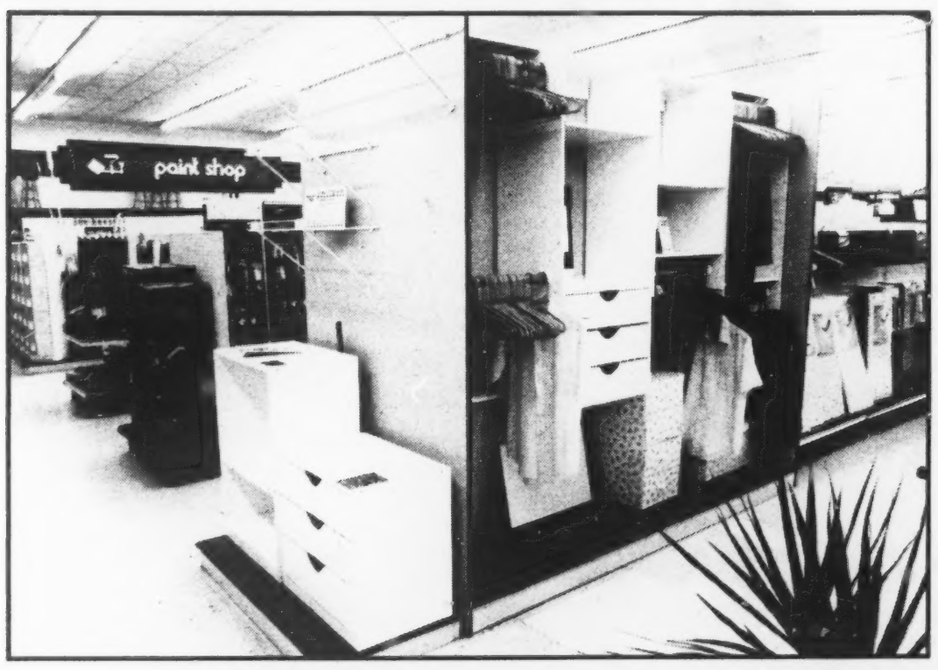
"The specialty stores have to rely on relatively heavy margins and higher-ticket sales. I don't see them as being a threat," says Brian Daly, vp of The Great Ace in Chicago, whose sentiments were echoed by other dealers.

Emerging category

Storage products are recognized as a growing industry segment by dealers around the country. Last year, Ernst Home & Nursery in Seattle opened five ExtraSpace specialty stores featuring home organization products. Handy Andy Home Improvement Centers, the Schaumburg, Ill.-based chain of 88 stores, has six home fashions/home improvement stores featuring its X-tra format which includes a Spaceplace organization department.

"Storage is one of our biggest growth areas," said buyer Phil Neiman at the 10-unit Lumber City in Van Nuys, Calif., where year-to-year sales volume in the category has increased between 10 percent and 15 percent. "It hasn't

(Continued on page 40)



Home centers are recognizing storage products as a lucrative category, spurred by lifestyle changes. Many believe they've only begun to penetrate this potential consumer market. NHCN photo

Clocks, picture frames, mirrors and wallpaper adorn "The Gallery," part of the housewares department at Pergament in Middle Village, N.Y. Other dealers, though, have trimmed these "gifty" items in favor of cleaning products and, in some cases, small appliances. NHCN photo

Consumers sustain retailers' stake in low-margin housewares

By Gary S. Ruderman

NATIONAL REPORT — Retailers selling housewares are carving out floor space for small appliances like toasters, mixers and irons, often at the expense of higher-margin "gifty" items whose margins are high but sales are slighter.

Small appliances continue to be "heavily footballed," said Scott Crichton, the housewares buyer for ACO Hardware, the Michigan-based chain. But dealers stock them because consumer demand is, he says, "universal."

"For several years, we told customers we didn't carry [small appliances]" and lost all sorts of sales, Crichton explained. ACO's solution is for its 74 stores to carry fewer than 10 stockkeeping units of appliances and not to promote them. The products are never advertised, and margins of 30 percent are maintained.

Dealers' attraction to small appliances corresponds with an increase in consumer demand for housewares in general, according to wholesalers and the National Housewares Manufacturers Association (NHMA).

Mobility sparks sales

The association attributes this trait to the frequency that people move. Population mobility studies from the U.S. Department of Commerce indicate about 17 percent of the U.S. population moved in 1988, more than any time since 1961, when the nationwide exodus to suburbia is said to have begun. Much of the recent rise results from the increase in single-parent households, according to the government.

Small appliances have been a beneficiary of this trend, according to John Heyerly, national housewares merchandise manager for Hardware Wholesalers, Inc. (HWI), the Ft. Wayne, Ind.-based co-op. "When they move, people find they need more housewares, especially cleaning supplies and

(Continued on page 38)

Product Preview:

Arrow to debut garage-sized storage unit

Arrow Group Industries, Inc., Pompton Plains, NJ has announced its garage-sized storage building, the Vinyl Murryhill. The steel building, coated with an abrasion-resistant and weather-protecting vinyl, will debut at the National Hardware Show, August 13-16 at booth #6774, McCormick Place North, upper level.

The storage building was developed as a solution for small businesses requiring extra storage space as well as for homeowners short on space. The buildings are available in four sizes—12' x 10', 12' x 17', 12' x 24' and 12' x 31'. All four buildings have an 8 ½-foot peak height. Retail prices start under $900.

Arrow-Vinyl, a vinyl plastisol coating nearly five times as thick as standard baked-on enamel finishes, is applied with a grained finish. The coating is applied over primer, providing metal protection.

For more information, write Arrow Group Industries, Dept. JSVM, P.O. Box 14, Haskell, NJ 07420, call (201)835-5500 or circle number 100 on the reader service card.

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in our next issue:
Selling Projects: The Great Backyard

Buying & Selling

merchandising

Home centers satisfy growing demand for housewares

(Continued from page 37)
basic housewares like small, tabletop appliances."

Mary Starek, merchandise manager for All American Home Center in Downey, Calif., sees 25-to-35 year olds—an age group with a high degree of mobility—as the prime target audience for small appliances and, especially, vacuums.

The big drawback with small appliances, though, has always been their profitability. Most bear well-known brand names that are stocked by all kinds of retailers as loss leaders with margins in the 10-15 percent range. Home centers are wont to compete with discounters on price in this category.

"[Our carrying appliances] is really a convenience for our customers," says Jenny Hess, housewares buyer for Hess Home Center in New Carlyle, Ohio, who nevertheless adds that they remain strong traffic draws for the female shopper.

Crichton at ACO believes the emergence of Black & Decker's household products line has helped attract men into the category as shoppers. "There are a lot of companies doing a lot more advertising but the Black & Decker name relates well to a hardware store and crosses over well to the male shopper."

As far as margins go, small appliances could realize a boost if, as Heyerly of HWI sees it, a trend towards better-quality, high-end products takes hold around the country. "The consumer is tired of buying a $9.99 item," Heyerly said. "Our mid-range table top appliances are moving more quickly than the low end."

That seems to go along with research from the NHMA. Communications director Kimberly Rawn says there has been an upscaling of the entire category because higher-end vendors like Braun (coffee makers) and other kitchen product makers target the home center markets.

Who Spends The Most on Housewares?

(Annual spending by age group)

Age	1988 Spending
under 25	$570
25 - 34	$997
35 - 44	$1,040
45 - 54	$1,200
55 - 64	$970

Source: National Housewares Manufacturers Association, U.S. Commerce Dept.
NHCN chart

Trimming other lines

While dealers are taking more chances with appliances, they are also taking a second look at their more "gifty" housewares offering, and some are seeing the need to trim it back.

The big drawback with small appliances, though, has always been their profitability.

Oak or wood desk accessories, brass animals, ceramic picture frames, silk flowers, clocks, and the variety of other gifty housewares have been strong sellers for many chains and independents.

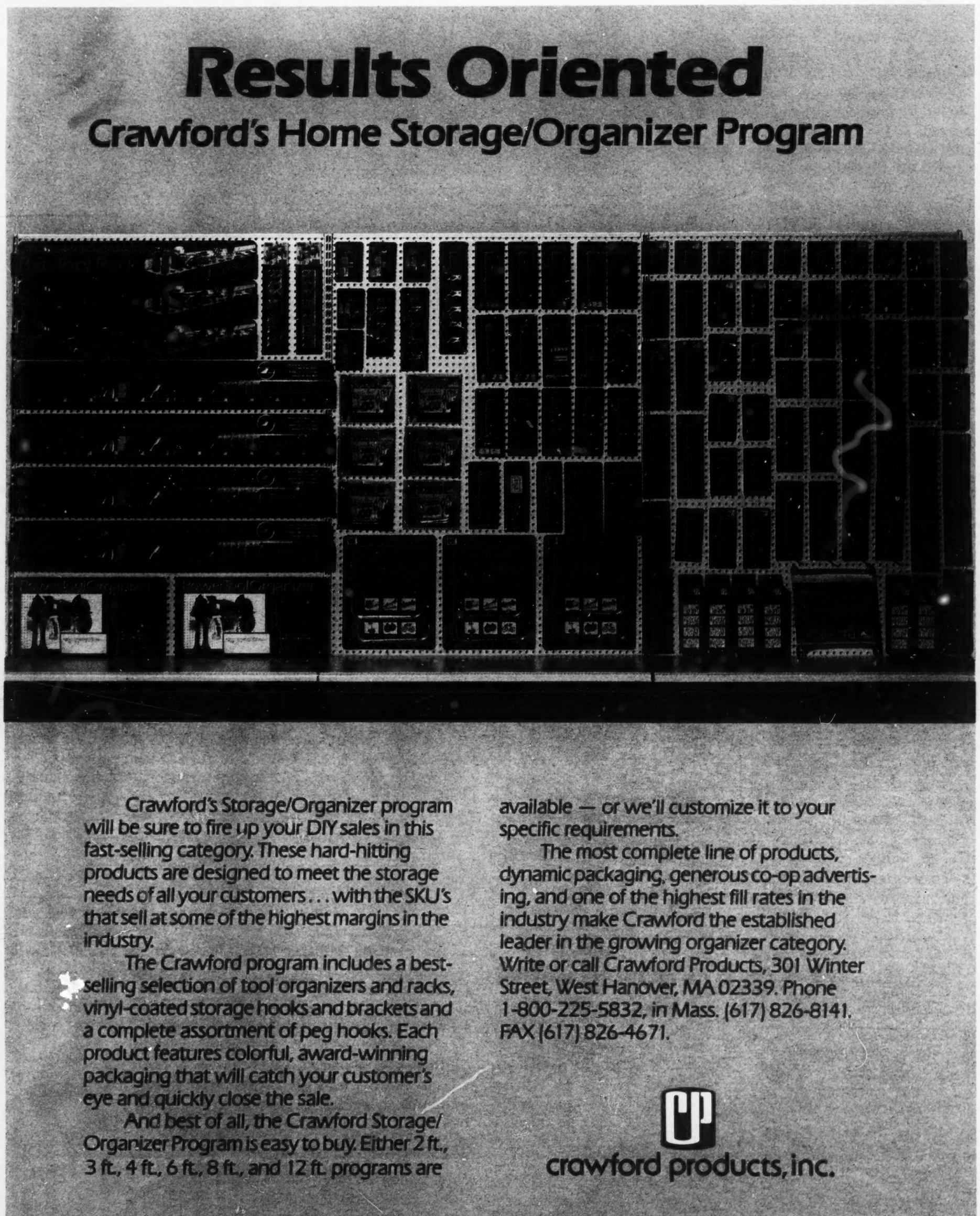
However, some dealers are "spacing out" these items to make room for a broader assortment of cleaning products, garbage bags, brooms, dust bins, plastic hangers and other "staple" items.

Overall, consumer fickleness towards decorative or fashion-oriented housewares has made the gift segment of the category more difficult to merchandise at a time when dealers are looking to reduce product assortments in the category in general, and want products to sell themselves.

"It takes someone full time to keep on top of the [category's] fashion changes," said Marian Rice, housewares buyer for the 55-unit Westlake Hardware in Lenexa, Kan.

Thirty percent of the shelf space at Trevarrow Do-it Center in Troy, Mich., is devoted to housewares. And while fashion items like rugs and decorative baskets sell well, the store is giving more real estate to products with greater year-round sales potential.

Christine Walters, housewares buyer, notes that June rains in the area caused a run on mops. When hot weather returned, patio table place settings sales flourished.



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And best of all, the Crawford Storage/Organizer Program is easy to buy. Either 2 ft., 3 ft., 4 ft., 6 ft., 8 ft., and 12 ft. programs are available — or we'll customize it to your specific requirements.

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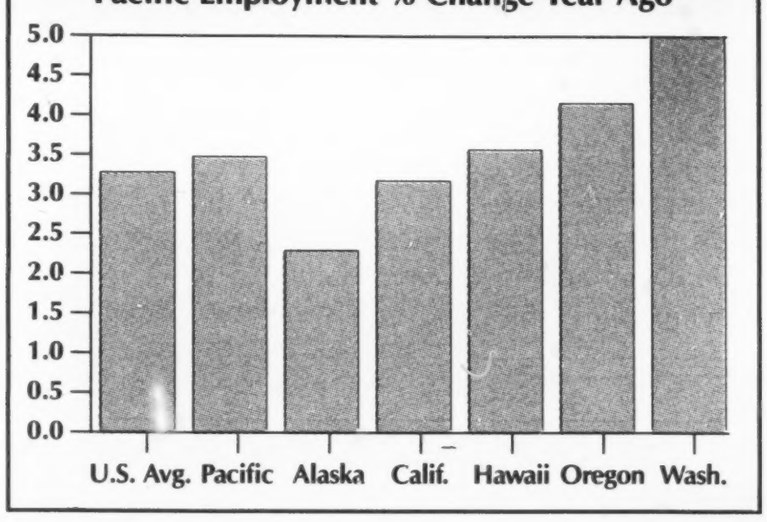
Business Watch

Section 4

While employment is strong . . .



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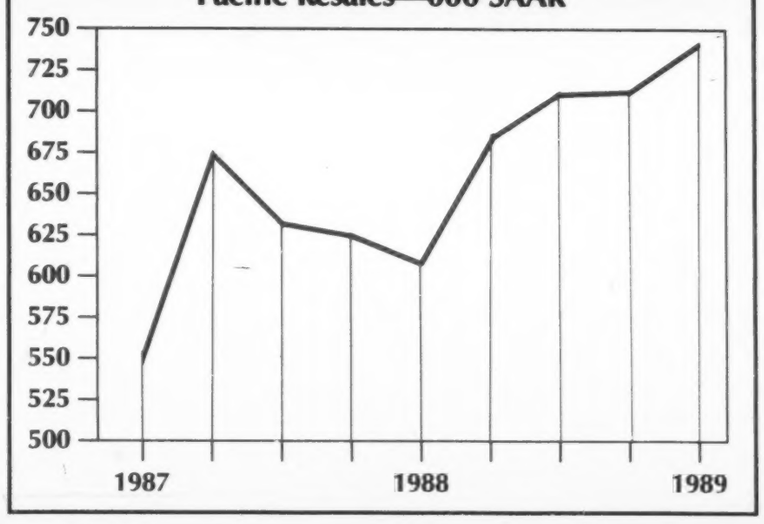

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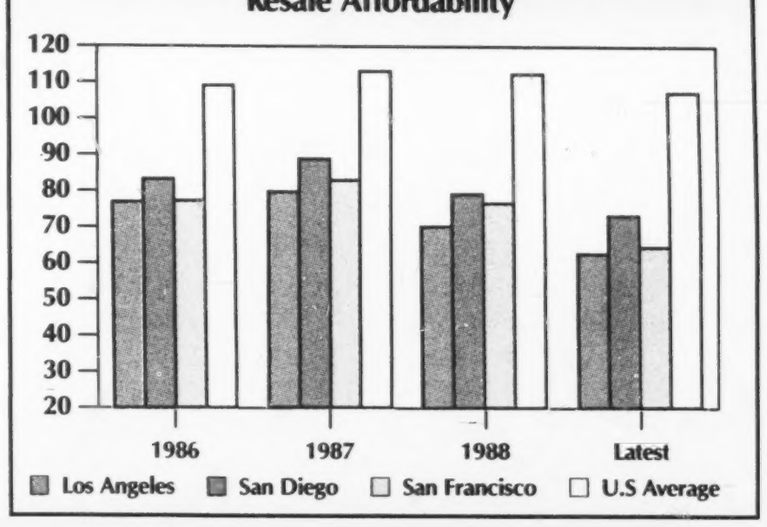


The Pacific region is expected to show top sales gain this year

By Richard E. Mount

The Pacific region enjoyed rapid gains in employment, resales and building material sales through the first quarter of 1989, but these gains should weaken as the year progresses.

Because of this strength in the first quarter, the Pacific states will show the largest gain in building material sales for the year, in spite of the probable decline in sales through year-end.

Building material sales in the Pacific states are expected to increase 7.9 percent this year, higher than the 5.2 percent national average. Adjusted for expected price increases, the regional gain will be 3.7 percent.

Richard E. Mount

The strongest gains in employment are taking place in the Pacific Northwest, where an improvement in exports is boosting local economies. Washington State is experiencing the most rapid employment increases, up 5 percent from last year. Manufacturing is advancing at a 5.4 percent pace and services by 6.1 percent.

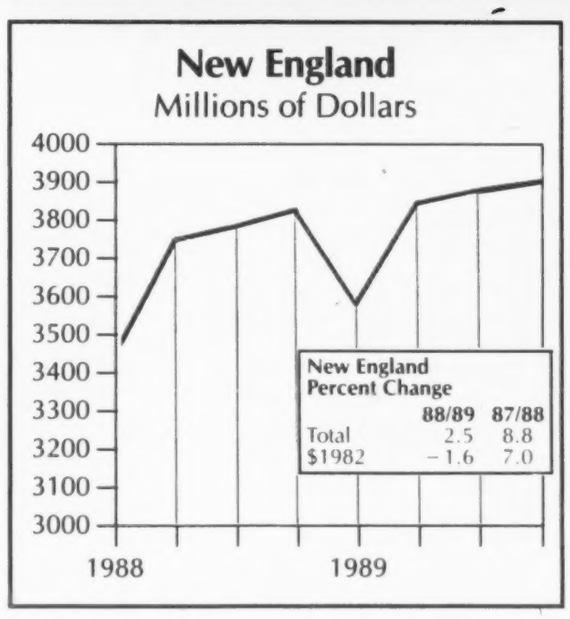
But the dollar has been increasing, and reducing the competitive edge of domestic firms. As U.S. housing starts stay soft and exports decline from their currently lofty levels, the Northwest will be pinched.

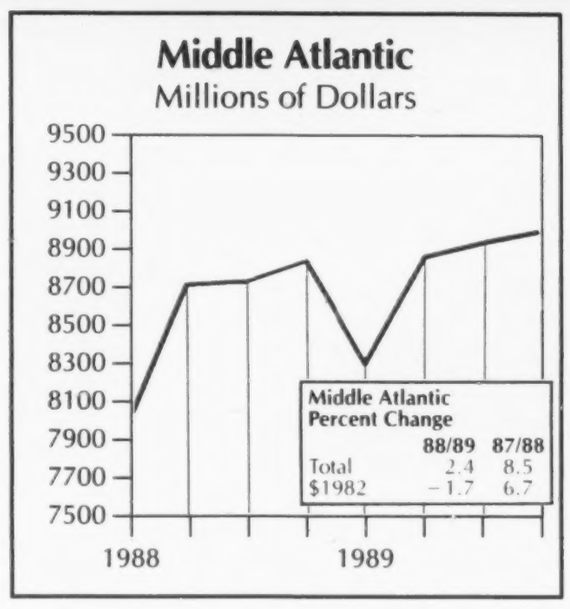
The California economy is slowing from its recent rapid pace. Employment is now up only 3.2 percent from a year ago, just below the 3.3 percent national average. Construction is up 6.3 percent and services 4 percent. Resales continue to rise at a healthy pace, the latest quarter being up 22 percent from a year ago.

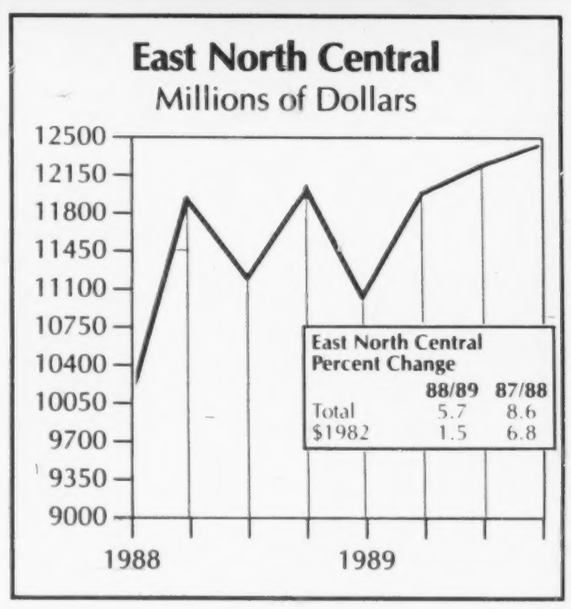
For retailers in the Pacific states, sales should ease from their current heady levels, but the possible softening this year and next will be very modest, with 1989 still being another record year.

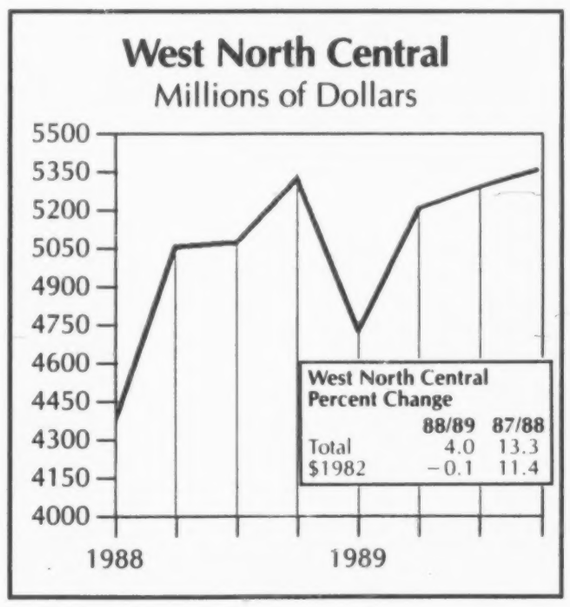
Richard Mount is president and chief economist with Mount Economic Consulting.

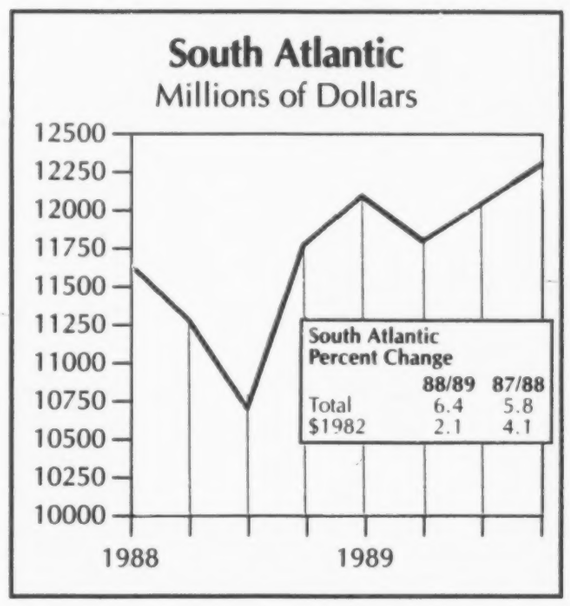
Regional Outlook: Building Material Sales

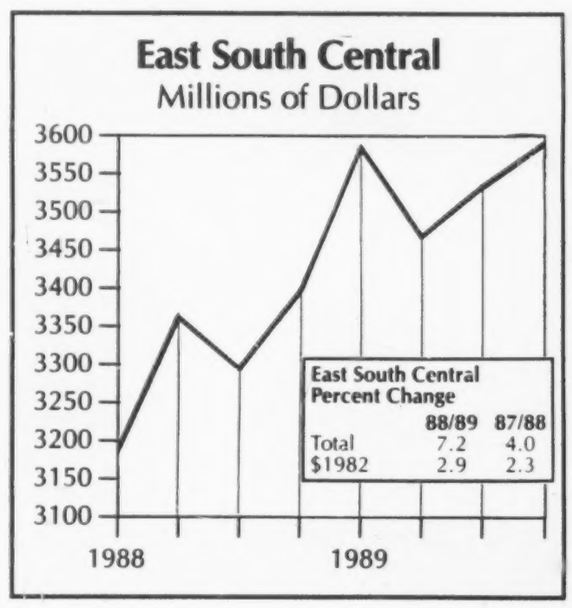


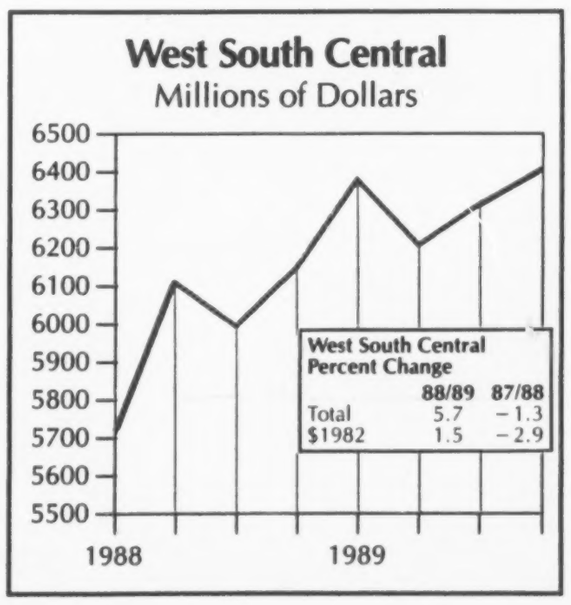


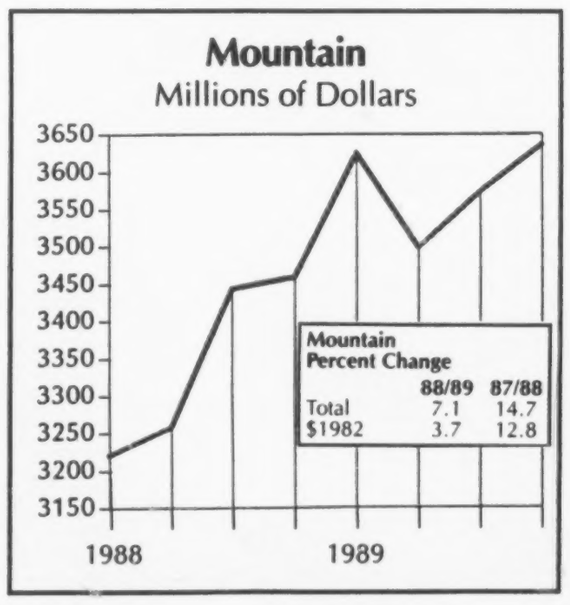


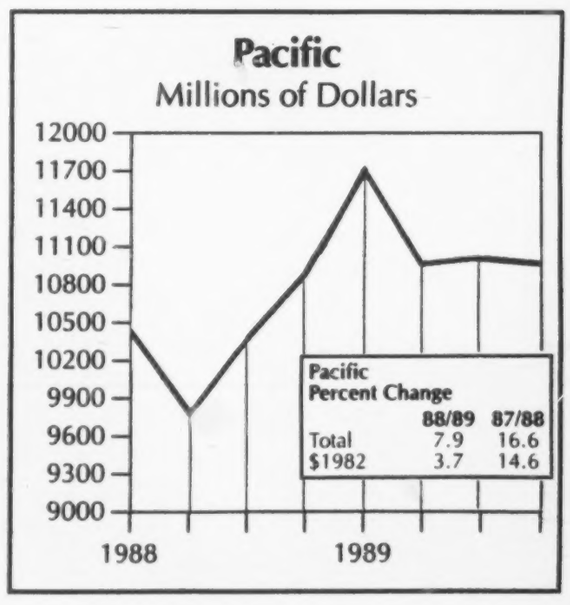












Data: Dept. of Commerce
Bureau of Labor Statistics
National Association of Realtors
Dept. of Housing and Urban Development

The Home Center Industry Outlook runs in two parts, one each month. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material and supply store sales.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart

AHMA responds to suppliers' interest in exporting

(Continued from page 6)

As a result, Whitehead expects tough product liability laws to be put into place. He noted a new strict directive aimed at machinery manufacturing that says, in part, that the product must:

" . . . eliminate any risk of accident throughout the foreseeable lifetime of the machinery, including the phases of assembly and dismantling even where risks of accident arise from foreseeable abnormal situations."

But the prospect of a Fortress Europe that protects itself from incursions by foreign products is unlikely, according to Robert Z. Lawrence, senior fellow at the Brookings Institution.

"Fears of major new barriers are exaggerated, basically because we have too many hostages," he said, noting that the U.S. and Europe already have major interests in each other's markets.

Barriers may be a problem, though, for small companies because the multinational organizations that already serve Europe will try to erect them, said Geoffrey Lewis, a visiting professor at the Darden Graduate School of Business, University of Virginia.

The European environment after 1992 will result in a business shakeout, said Lawrence. Europe will become a more attractive place to produce and therefore the continent's exports may rise.

"If you don't meet them there, they'll take you on here," said Lewis about European firms.

More study than activity

For some small manufacturers, the one-day conference provided important insight into how to meet the competition overseas.

"When I came here I wasn't sure if I needed a plant in Europe," said Vaughn Williams, president of Vapor Products, a mildew preventative manufacturer based in Orlando.

"Now I feel I need a presence. I need to get rolling on a distributor and get my product on the shelf."

A plant must eventually follow, he feels, because European production may be the way around any potential barriers.

A poll of attendees revealed that almost half have undertaken educational programs related to Europe 1992 and about a quarter have conducted related market research.

The level of actual exports to Europe was low, however: 70 percent of the companies reported that their exports to Europe totaled less than $2 million a year.

As the AHMA increases its efforts to facilitate exporting, one of its next acts will be to obtain an export trade certificate, according to association counsel Shelly London.

This document would allow member companies to cooperate in ways that otherwise might violate antitrust statutes, he said.

Strober execs sue insurers for payment

(Continued from page 6)

There were three different policies insuring Strober's life: one for $20 million held by his business partners who had shares in the company prior to it going public; and policies worth $15 million and $5 million, respectively, held by the corporation. Of these, $35 million are underwritten by Equitable and $5 million by Mutual, according to Kulick.

The company was insured for $17 million prior to going public through Equitable exclusively.

The agreement the company had with Strober's wife to use the insurance money to buy out her husband's stock at its pre-death value was similar to agreements signed with 14 other executives.

"All of us had the same agreements," said Kulick. "If something happens to me, my partners would buy out my shares from my wife with the insurance money."

A trial date had not been set as of July 5, since the insurance companies are still taking depositions from business parties and personal friends.

"We filed for payment under policy in February 1988 and it is now June 1989 and they [the insurance companies] have requested two more years to talk to people," said Kulick.

New Builders Emporium executive chosen from discount store ranks

(Continued from page 1)

ing president since Edwards' departure.

Wickes' co-chairman and ceo James R. Birle said he has high regard for McKitrick's retail talents, asserting that his "outstanding track record" will help the 119-unit, $675 million chain "realize its full potential."

BE had been on the selling block until late May when Wickes decided outside offers had been insufficient and it would keep the chain (*NHCN*, June 19), which Birle called a valuable asset.

McKitrick's most recent assignment at Ames was as chairman of Zayre Stores, a 392-unit discount chain acquired by Ames in October 1988 and briefly headed by current HomeClub chairman Herb Zarkin.

Since 1987 McKitrick had been president and coo of Ames' G.C. Murphy division, a mix of variety stores and Murphy Marts which has been subsequently converted to the Ames name and format.

His background includes a one-year stint in 1987 as president of Warehouse Club, Skokie, Ill., and nearly two decades at K mart.

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Wet East, dry West frustrate summer sales

By Tim O'Malley

NATIONAL REPORT — Unusually rainy weather in many parts of the country is undercutting sales and frustrating a traditionally profitable season for retailers and building suppliers.

The most widespread problems are reported in the Northeast, Southeast, Plains States and Lower Mississippi Valley, where many dealers complained that sales of building materials and lawn and garden items are down drastically due to precipitation.

At the same time, similar casualties are being suffered on the West Coast, where drought restrictions are in place for the third consecutive year. In the San Francisco Bay Area, according to one retailer, building has slowed because housing developers are having difficulty getting water permits.

"We'll make it this year," said Joe DiRocco, marketing director for the 31-store Orchard Supply Hardware, based in San Jose, Calif. "But the industry is going to be in trouble if this hangs on through next year."

Orchard's lawn and garden sales have been way down, said DiRocco. Luckily, however, patio furniture sales have picked up the slack.

Start building the Ark

One of the hardest hit areas in the South is Shreveport, La., where 45 inches of rain have fallen since January. The area usually gets 20 inches, according to the National Meteorological Center (NMC).

Custom Bilt Cabinet and Supply, a lumber supplier in Shreveport, usually averages sales of $30,000 a day this time of year, said staffer Leonard Nelson. But the weather has cut that to $10,000.

"There were two weeks where we practically shut down completely," he said. "The rain was so heavy, no one was coming in."

The Paty Co., an eight-store chain based in Piney Flats, Tenn., faces a similar dilemma. Paty's vp-marketing John Kiss said store traffic is down significantly. This, he fears, is a sign that bad weather is taking an economic toll.

"Tobacco farmers can't get a decent crop, so they don't have the discretionary money to shop with us," he said.

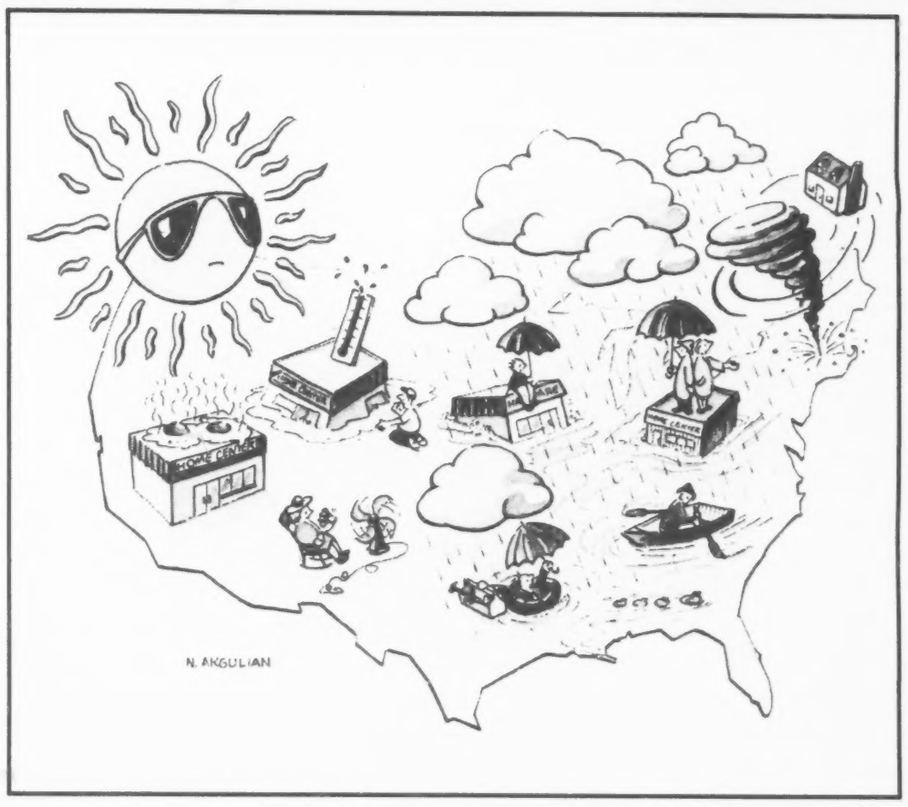
In Atlanta, a rainy start to the summer season has recently been tempered by sunny and hot weather. Ken Berry, assistant store manager of a Builders Square outlet in Norcross, Ga., said fertilizers and fungus control products sold better during the rain. But he said it cannot make up for losses on other products.

Rain affects lumber cutting

"When it's soggy like that, people just don't want to paint or work in the yard," he said.

The Northeast has experi-

(Continued on page 68)



Southern plywood mill strike hikes prices, smaller chains feel the heat

By Gary S. Ruderman

NATIONAL REPORT — A strike at five southern plywood mills, earlier this month, caused one-week price jumps of $21 to $27 in plywood and oriented strand board (OSB) and some panic buying in the Midwest.

Combined with scheduled mill shutdowns for maintenance, dealer trends toward lower inventory and fewer shipments of western plywood, the July 10 strike at Georgia-Pacific mills drove plywood and OSB prices to record highs.

Southern pine plywood composite prices reached $276 per thousand square feet, their highest level since 1980. OSB mill prices reached $200 per thousand square feet for 7/16-inch sheets, which surpassed the 1985 record high, according to *Random Lengths*, the industry newsletter.

"We can't trade in this market," complained Ray Treen, vp of building materials at Hardware Wholesalers Inc. (HWI). "You call the mill to get a dealer a price and, by the time you get back to the mill with an order, the price is up $10.

"I'm telling members to buy hand to mouth but don't panic," Treen said July 14.

(Continued on page 65)

SELLING PROJECTS

The Great Backyard

Live plants can be a retailer's nightmare because they demand constant care and attention from a knowledgeable staff. Successful dealers have adapted, however, by focusing more on drought-resistant plants, holding conservation clinics and aggressively marketing their services..... 19

Michigan General ceo to resign amidst plans to trim overhead

Diamond Lumber becomes part of parent's cutbacks

By an NHCN staff editor

LOS ANGELES — The chairman and ceo of Michigan General, Ralph Shapiro, has announced plans to resign and find a replacement from within the retail lumber industry.

Michigan General, parent company of 62-unit Diamond Lumber, also plans to sell its other subsidiary, Savannah Wholesale Company, which owns retail clothing stores in eight states and has been operating at a loss. The unidentified buyer will pay about $13 million.

These developments follow the termination in early July of two key Diamond Lumber vice presidents. Wayne Nalls was vp-marketing and James Collins was vp-merchandising.

Both were set free, said Diamond President Jerold Grubstein, in an effort to trim corporate overhead in the face of a decreasing demand for building materials.

Nalls had been with Diamond since 1982, and Collins joined the company in August of last year after a career with Moore's, the Grossman's subsidiary. *NHCN* was unable to reach both men.

Shapiro's intended departure was announced by a member of Michigan General's board of directors, Jeff Chanin, in a press release issued here. It stated that the search for a successor would be completed shortly. Shapiro and two other board members, Charles Babb and John Zimmerman, were identified as members of the search committee.

NHCN photo

Jerold Grubstein

"It is appropriate," the release stated, "to bring on a ceo who has experience in the lumber industry and is well known to its vendor community and to Diamond's employees and customers."

The significance of these events happening together was not immediately determined. In April 1988, Michigan General and Diamond

(Continued on page 66)

INDUSTRY UPDATE

Pay 'N Pak pres. expected to leave

KENT, Wash.—Jerry L. Marlow, the No. 2 executive at Pay 'N Pak, is expected to follow in the footsteps of Chairman David J. Heerensperger, who announced his resignation effective Aug. 1.

The 53-year-old Marlow, president and coo of Pay 'N Pak since 1977, has been on a medical leave for several weeks. A company spokesman said his duties have been handled on an interim basis by Kirk Knapp, district manager for Alaska and Hawaii.

As NHCN went to press, Heerensperger's replacement had not been announced.

Sears HQ to stay in Chicago area

CHICAGO — Sears will move portions of the headquarters of its 6,000-person Merchandise Group out of Sears Tower, the world's tallest building, and into a proposed campus-style complex in suburban Hoffman Estates, Ill.

The decision to stay in the Chicago area came after consideration of more than 50 sites in and outside of Chicago. The company in late June was also offered $178 million in tax breaks from the State of Illinois. Sears signed a purchase contract for more than 700 acres in Hoffman Estates northwest of Chicago. The move is slated for 1992 or 1993.

Sears' corporate headquarters will stay in the Sears Tower in downtown Chicago, the company said.

The move follows Sears' announcement to sell its landmark 110-story headquarters and subsequent changes to make the world's largest retailer more competitive.

O'Malley Lumber names new ceo

PHOENIX, Ariz. — Mark E. O'Malley has been named president and ceo of the O'Malley Lumber Co. He is a nephew of chairman Thomas E. O'Malley and replaces E. V. "Ted" O'Malley, who retired but will remain a consultant to the family-owned company.

Since 1982, Mark O'Malley, a 17-year company veteran, has been president of Southwest Hardware, a wholesale hardware distributor owned by the O'Malley Cos.

Pat O'Connor was named vp and general manager of Southwest Hardware, succeeding Mark O'Malley. He formerly was vp-sales & marketing.

Waxman debuts on the Big Board

NEW YORK — Waxman Industries debuted on the New York Stock Exchange July 12 under the new symbol WAX.

Waxman, listed on the NASDAQ since it went public in 1971, hopes for broader distribution of its stock and a narrower spread in the bid-ask range, according to Armond Waxman, president and co-ceo.

"We believe listing on the Big Board will further enhance our visibility in both the U.S. and international markets," Waxman said prior to the first WAX trades.

The Ohio-based company manufactures and distributes plumbing, electrical and other hardware products, and has operations in the U.S. and Canada. Its sales last year were $150 million.

Timber standoff prolonged again

PORTLAND, Ore. — The U.S. Forest Service and forest products groups rejected the latest counterproposal by environmentists on a short-term resolution to the old growth timber controversy in the Northwest.

The July 17 decision came days after environmentalists sought to further reduce lumber harvests by 400 million board feet, a reversal of the June framework arrived at by Oregon's congressional delegation and a forest products coalition (*NHCN*, July 17).

The environmentalists' response was rejected in part because it failed to agree to dropping lawsuits that are tying up more than a year's worth of lumber sales.

This continuing battle between the environmentalists and forest products groups threatens to put in jeopardy more jobs and lumber supplies this fall and winter.

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Wickes Lumber's Les Hagen retires; interim president named

By an NHCN staff editor

VERNON HILLS, Ill. — Les Hagen, chairman, president and ceo of Wickes Lumber, the $1 billion national chain spun off from the Wickes Cos. in a buyout he led, retired unexpectedly July 18.

Hagen could not be reached at his home, but an internal company memo implied that the decision to leave had been contemplated for some time.

Hagen wrote that the resignation "may have appeared as sudden" but in fact the "on-going decisions on the company's direction" had made him seek "other thoughts and ideas" from the outside.

Hagen identified Joe Rosen, whom the statement called a consultant with a background in retail, as the person who will head the company on an interim basis. Hagen will remain a major stockholder. It was unknown whether Rosen represents private investors who helped Hagen and six senior managers buy the 200-store company last May for $300 million.

In the last two years Hagen shut down an estimated 41 units, 23 since the buyout. In conversations with *NHCN* in early July, Hagen said the company's sales were on course. Sales in 1987 and 1988 were flat at $1.2 billion.

Hagen, 63, has a long tenure in the industry. In the early 1970s he sold his lumber and plywood wholesaling company, Oregon Pacific, to Wickes and later joined the California-based conglomerate as head of Wickes Lumber.

He also held senior sales and management posts with lumber mills in the northwest.

His resignation came as a shock to many. Paul Hylbert, president of Sequoia Supply, a company that, like Wickes Lumber, was acquired from Wickes Cos. in a leveraged buyout, said: "I felt Wickes lumber was being managed well and making good progress and that's why I was surprised."

Fred Meyer trims commodities stock in shift to DIY emphasis

By an NHCN staff editor

PORTLAND, Ore. — Contractor-oriented commodities and other building materials have been eliminated at six Fred Meyer units as part of an experiment to see if the 113-unit chain should put more emphasis on DIY-oriented home decor products.

The discount chain, which pioneered the one-stop shopping concept in the Pacific Northwest, is devoting more selling space to floor and wall coverings, lighting, cabinets and bathroom fixtures in the half-dozen test stores.

Kenneth Thrasher, senior vp and cfo, said at Fred Meyer's annual meeting that sales were down in the home improvement division as a result of initiating "the new home decor format, which places less emphasis on building materials."

In the first quarter ended May 20, Fred Meyer reported net profits of $5.7 million on sales of $620.1 million. Net profits in the same period a year earlier were also $5.7 million.

"We made a decision to move more toward home decor and emphasize DIY products," said spokesman Robert E. Boley.

He added, "We still have some boards and molding, but we have limited space so we are reducing space allotted to commodities and building materials."

Fred Meyer is facing new competition from DIY warehouse chains such as Home-Club and Builders Square as well as recent discount store entries into its prime territory.

Because "in some towns we're the main" building materials supplier, Boley said contractor-related products will continue to be a critical part of the home improvement department mix in most Fred Meyer units.

Denny launches office supply company, plans 100-store chain

By an NHCN staff editor

SAN ANTONIO — Frank Denny has selected the East as the launching ground for his new retail office supply company, Office Products of America (OPA).

Denny, who wasted little time returning to warehouse retailing after his May 26 resignation as president and ceo of Builders Square, intends to open four retail stores this year in New England or the Mid-Atlantic. Each would be at least 30,000 square feet.

His plan, spelled out in documents filed with the Securities and Exchange Commission (SEC), is to eventually make OPA a nationwide chain of 100 or more stores.

Photo courtesy K mart

Frank Denny

OPA made a public stock offering in early June for 4.8 million shares, which is expected to generate the approximately $8 million needed to sustain the company this year. Denny and other OPA officials are said to be currently negotiating leases for store sites.

One industry watcher, however, believes OPA's decision to begin in the Northeast will be the company's greatest obstacle.

"The biggest barrier is the high real estate costs," said Fran Bernstein, a retail analyst with Merrill Lynch in New York, who believes some investors will be scared away by this.

At the same time, she said the region is ripe for more players because it is currently inhabited by only a few warehouse competitors, the largest of which is the 22-store, Newton, Mass.-based Staples,

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Hechinger to move Home Quarters units into Boston

By an NHCN staff editor

LANDOVER, Md. — Home Quarters Warehouse is going to Boston.

Hechinger will enter the greater Boston market this spring with its warehouse division, according to an announcement made by the company July 18.

"We are fortunate to be in a position to decide how we want to go to market in various cities. Boston is a prime market, the third largest on the East Coast, and we will go to Boston with our warehouse store division," said John W. Hechinger Jr., president, in a prepared statement.

"We have been anxious to take HQ to a major population center where its maximum sales potential could be realized," he said.

Hechinger plans to open between 12 and 15 stores in this market and all will be Home Quarters Warehouse units of between 100,000 to 110,000 square feet. This will be the first time that the 11-unit warehouse company has operated so far north and in such a large metropolitan market. To date it is concentrated exclusively in the Southeast and in smaller cities like Charlotte, N.C., and Charleston, S.C.

Spring 1990 opening

"The primary challenge with regard to the geographical dispersement of stores is in adjusting to the seasonal category," said Pam Redfern, corporate secretary for Hechinger.

The first four stores are scheduled to open during the spring of 1990 and include both build-to-suit and renovated units. They will be located in the Boston suburb of Norwood; in Brockton to the south; Danvers to the north; and in Shrewsbury, east of Worcester. The Norwood store will be in a former Scandanavian furniture store.

The Home Depot and Builders Square, both warehouse store competitors, are looking for sites in the greater Boston area, but it appears that Hechinger will open first.

"It's very, very difficult to find sites for a 100,000 square foot store and parking for between 300 to 400 cars," said Tony Ciccolo, real estate broker at Hunneman Commercial Co., in Boston. "They are also tough deals to do, and take a long time to consummate—upwards of two years."

Builders Discount opens its newest unit in downtown L.A.

By an NHCN staff editor

LOS ANGELES — "I invite everybody to come to Builders Discount . . . and shop till you drop."

That recommendation was made by Los Angeles Mayor Tom Bradley before he took a pair of pruning shears and cut a ribbon to formally dedicate the newest Builders Discount store.

"We spent a fortune on it, but it is beautiful," said president Rami Lehavi of the new home center, a retrofit of a former three-story Sears & Roebuck store.

Lehavi and his business partner, Levi Kushnir, who is the company vp, are spearheading the development of one of southern California's fastest-growing DIY businesses.

Three years ago they bought the then-three-unit, $28 million a year Builders Discount from the Lowi family and the now four unit chain is forecast to post sales in excess of $90 million this year.

The newest unit, in a down-on-its-luck section of Pico Boulevard in midtown Los Angeles, is about a half block from a Builders Emporium, but, nonetheless, Lehavi said the store would be the chain's highest producer by the end of this year.

The facility is stocked with more than $3 million in inventory consisting of 30,000

(Continued on page 66)

Above, Builders Discount president Rami Lehavi (left) and vice president Levi Kushnir are all smiles at the opening of the company's fourth unit.
At left, Los Angeles mayor Tom Bradley cuts the ribbon to officially dedicate the store. A portion of the selling floor is pictured below.

NHCN photos

Stalled Conn. economy prompts P.F. O'Connor, Lloyd's to close units

By an NHCN staff editor

REGIONAL REPORT — Early casualties of the slowing Connecticut economy and growing warehouse competition were counted this month.

Lloyd Home & Building Centers, the ailing chain owned by American Maize Products, closed its North Haven and Milford units two weeks ago.

P. F. O'Connor, the 10-unit chain, has already begun phasing out its two Connecticut operations in Milford and Hartford and will officially shutter these on Aug. 12.

The two Lloyd's stores were situated in a hot bed of home center competition. The North Haven store had to compete with Home Depot, which is reportedly profitable just six months after opening. In Milford, Lloyd's faced not only Builders Square but alsc the newly renovated Grossman's.

> "The lack of business and increased competition is a bad combination."
>
> —**Austin O'Brien,**
> *executive vice president,*
> *P.F. O'Connor*

"If a store is not meeting its budget and not performing up to par we will close it down and move the inventory," said Cynthia Brighton, spokesperson for American Maize.

She declined to say how many Lloyd's stores are still in operation. At the end of April, however, the company had 32 units following the sale of four stores in the Oneonta, N.Y. area to an independent, whose owner was a former Lloyd's employee. *(NHCN*, April 24 1989).

P.F. O'Connor backs out

P. F. O'Connor hopes to lease both its stores so that "if the economy turns around we can reopen," said Austin O'Brien, executive vice president of the Braintree, Mass.-based company.

Standing on five acre plots with 20,000 square foot

(Continued on page 68)

Harvard study paints bleak picture for home ownership

By Tim O'Malley

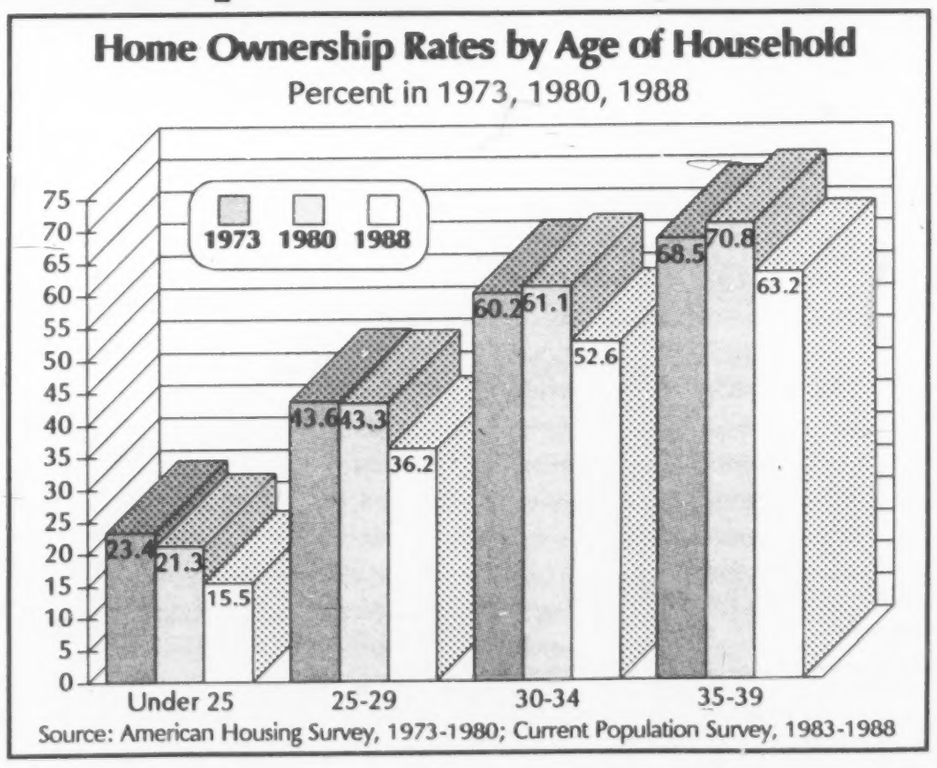
WASHINGTON — The high cost of buying a first home will continue to lock out many Americans from home ownership, according to Harvard University's Joint Center for Housing Studies.

In its annual report, the Joint Center blamed the decline on federal budget cuts, tax reform and the inability of first-time buyers to meet downpayment costs.

The report said cuts in subsidized housing and the disadvantages caused by a higher standard income tax deduction, for example, should be balanced out with government programs that help prospective homeowners meet initial costs of buying. It offered no specific recommendations, however.

"Clearly, there will be a declining number of new housing starts through the end of the century," said Bill Apgar, co-author of the report. "Demographics is a factor, but affordability is probably a bigger one."

The findings suggest what most lumber and building suppliers already know—that the fastest growing segment of the industry will remain repair and remodeling. Estimates are that it makes up 55 percent of building supply sales, up from 30 percent five years ago.



David Seiders, chief economist for the National Association of Home Builders, which helped fund the report, said this reality is changing the way some contractors do business.

"It's gotten to the point where builders are going back to the subdivision they constructed and saying to a homeowner, 'Gee, might you want an add-on?' "

Paul Hylbert, president of the wholesaler Sequoia Supply in Irvine, Calif., called it

(Continued on page 65)

EDITORIAL

More kids in warehouse means danger

Retailers have paid a lot of attention to store safety recently, and more is needed. Store safety is an increasingly critical issue in part because of the following coincidence of events:

First, more companies are adopting warehouse formats, which seem to be successful in proportion to the amount of clutter. And more clutter may increase the possibility of accidents.

Ken Schept
NHCN Editor

Second, we're in the middle of a family-formation explosion, which should be good for business but which also suggests that more children are in the stores.

The problem is clear to anyone who has had—or has observed—young children. Even kids who can read signs sometimes won't. And the order "don't wander off" can be interpreted in a surprising number of ways.

A likely scenario: Dad and mom are having a pleasant—or heated—discussion about which ceiling fan would look best in the bedroom and how much should be spent on this amenity. Their son is bored out of his mind and takes a hike. The rest is up to chance.

The increased frequency of these little in-store family dramas means that retailers need to meet them with more than crossed fingers. There are two types of responses: remove potential dangers or remove the kids. I recommend both approaches.

In the first instance, stores should undergo the retail equivalent of child-proofing at home. In other words, the store manager should regularly walk the aisles as if he or she were 39 inches high.

Cartons will suddenly transform into climbing structures and anything on a low shelf will be up for grabs. A store is not designed to be a nursery, so it probably can never be risk-free. But if there's an obvious danger, like sharp garden shears on a low peg hook, why not move the item higher? If product movement is the primary consideration when programming a shelf, safety—particularly child safety—needs to be at least a corollary consideration.

What about removing the kids? A trip with Dad to the lumberyard may rank with fireworks on the Fourth of July in our Norman Rockwell visions of America. So it's probably not something to discourage. However, there are ways to remove kids from potential hazards without discouraging store visits.

Obviously a company can't simply rope off an area of a parking lot and designate an assistant store manager as teacher for a day. That effort might give new meaning to the word chaos. But there's probably a responsible approach that would benefit both customer and retailer.

For example, in a store with heavy weekend family traffic, why not develop some kind of child care program with the assistance of local teachers or other professionals? It would need to be organized with age-appropriate activities and be properly controlled. Parents might have to sign up in advance. But it would not be too costly and could well be worth the effort. Here's a new service that would differentiate a store from its competition.

Retailers and educators working together could even develop programs related to woodworking crafts and the use of tools. Parents get to shop. Kids get to play. And the retailer gets to know the next generation of customers.

—Ken Schept

COMMENTARY

Use greenery to increase greenbacks

Why don't home centers do better in lawn and garden? This question, like crabgrass, sprouts every summer when associations trot out statistics showing that consumers prefer to shop—and lawn and garden suppliers prefer to ship—nurseries, hardware stores, discounters, even supermarkets.

John Caulfield
NHCN Executive Editor

How long can it be before gas stations exceed home centers as the store of choice for plants, fertilizer, tools, and power equipment?

Each year, this newspaper dutifully reports these figures (see pages 21 and 28 for the latest), and each year we get comments from dealers insisting that the numbers don't reflect what their stores are doing in the category.

In speaking with a number of dealers about this, and looking over some of the print ads dealers place in newspapers, I think I've figured out why home centers can't generate much heat in their lawn and garden departments: they've fallen in love with the deck and the lawn mower instead of the plant.

In virtually every June ad I looked at from more than 15 home center companies around the country, it was inevitable that a drawing or photo of a deck would be plastered across the front page. Nothing wrong with that; every retailer loves the sales decks can produce, and the add-on merchandise that can be sold in conjunction with that sale.

The problem with decks, though, is that their material and installation costs limit the number of people to whom they can be sold. Even if one believes the under-$100 price that some chains are promoting for 8x8-foot deck kits (and I don't), there's still the matter of installation for most homeowners, which can more than double the cost. The cost of some outdoor power equipment can be more than a good sized deck or, it sometimes seems, a compact car. Plus, the great majority of home centers don't offer repair servicing, which keeps customers away.

Live plants, because of their price and their portability—most can be carted home in the back seat of a car—can drive a lawn and garden department's sales. But many chains have relinquished this business to nurseries and discounters like K mart for legitimate reasons: the department needs one or two "experts" who can speak knowledgeably about the products and their care, the plants and trees require considerable attention, and between 3 and 10 percent of the inventory is likely to die before it's sold.

Home centers that do carry live goods, though, have often been their own worst enemies because they prefer these blow out truckload sales that last for three or four days, which does nothing to build the dealers' lawn and garden image with customers.

For some retailers, the quick in and out sale is all they're looking for. But for dealers that have major inventory investments in garden tools, planters, sod, fertilizer and outdoor power equipment, I think it's a real mistake.

A lawn and garden department's sales, like those in any other department, are based on the dealer's credibility with customers. With decks, there's no problem because most stores are already known for the quality of their lumber products. But how many people are going to buy live goods from dealers who treat the plants like they're batteries sold in dump bins near the checkout counter?

—John Caulfield

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Publisher WYATT KASH
Editor KENNETH SCHEPT
Executive Editor John Caulfield
Senior Editors Brad Altman (Los Angeles), Gary S. Ruderman (Chicago)
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REGIONAL OFFICES
Boston 1 Gateway Center, Newton, MA 02158, 617-527-6394 Fax: 617-969-3125
Regional Manager James H. Malver
Cleveland Summit One Building, 4700 Rockside Road, Independence, OH 44131, 216-642-3420 Fax: 216-642-1457
Area Manager Robert Bednar
Office Manager Martha MacVean
Chicago 444 N. Michigan Ave., Chicago, IL 60611, 312-644-8688 Fax: 312-644-3256
Senior Midwest Area Manager Sid Hybert
Area Manager Mark Solak
Senior Editor Gary S. Ruderman
Los Angeles 606 N. Larchmont Blvd., Los Angeles, CA 90004, 213-464-8321 Fax: 213-465-4287
Senior Editor Brad Altman
San Francisco 400 Montgomery St., San Francisco, CA 94104, 415-362-2575 Fax: 415-362-0319
Regional Manager Richard J. Harrigan Jr.
Washington 17735 Striley Drive, Ashton, MD 20861, 301-774-3895 Fax: 301-570-9090
Manager, Correspondent Kenneth Rankin
Japan Diamond-Friedman Ltd., Chain Store Age News, Japan, 1-4-2 Kasumigaseki, Chiyoda-ku, Tokyo, Japan, 504-6750

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"When it's delivered, have the guy drive it through our yard several times."

and have seen an increase in the popularity of the color jumbo pot pack.

"A few years ago the four-week-old 4-inch bedding plant was the predominant seller; now it's the jumbo pack of six-week-old plants,"said Ellen Sinnott, Orchard's nursery buyer. "People are prepared to pay more for a mature plant."

Drought still an issue

All American; Builderama, the Savannah, Ga., chain; and Orchard are among the retailers that have put more focus on drought-tolerant plants this year, after last summer's devastation.

"People have a long memory of how the garden did last year and are looking for things which will survive," said Richard Galloway, nursery buyer at the 10-unit Builderama.

This chain has added hardier dogleaf begonias, while All American expanded its selection of golden arbor vitae and Orchard put more focus on native Californian plants such as junipers, bottle brush and oleanders.

All American, working with the Los Angeles Metropolitan Water District, tags all its drought-tolerant plants as "Water Wise." Orchard held conservation clinics in all its stores to emphasize the Water Wise plants and to give advice on conservation techniques including the use of mulches and soil polymers (*see other story, page 32*). These polymers act likes sponges in the soil to absorb water.

Orchard also benefited from the timely introduction of its own private label potting soil this spring, which includes these soil polymers.

Part of larger project

Dealers find that nursery goods can be easier to sell as a total project than many other product categories.

"The garden shop is not a necessity. The customer is buying for pleasure and it's nice and easy to deal with him on that level," said Galloway of Builderama. "He wants to help grow and protect that investment and it's easier to sell fertilizers and lawn care products."

Richard Shaw, store manager at Agway, the lawn and garden specialty retailer based in Dewitt, N.Y., agrees that by helping the customer solve problems his assistants can "suggest the sale" of additional items.

Agway's store in Dewitt doubled its assortment of evergreen trees, shade trees, deciduous shrubs and perennials over the last two years, to differentiate itself from the home center chains now entering its market.

It now buys better quality merchandise in truckloads from West Coast suppliers, and offers a one-year guarantee, according to Roger Shaw, store manager.

"The main thing is to offer a complete assortment, with trees, ornamental evergreen and shade plants," said Jerry Cole, department merchandise manager at ServiStar, the Butler Pa., co-op that is setting up garden centers in New England as well as supplying its regular members (*see other story, page 32*).

The weather — too dry, then too wet — plays havoc with lawn & garden sales

By an NHCN staff editor

NATIONAL REPORT — After last year's drought and this year's rains, it's a wonder anyone can sell lawn and garden products.

If the past year's sales in the category are any indication of the weather's impact on their business, retailers can't be too optimistic about their prospects for selling lawn and garden products through the remainder of what has been a very soaked 1989.

Home centers are particularly vulnerable to erratic climatic conditions, as they continue to lag behind other dealers in attracting lawn and garden customers, despite an expansion of this department for many chains and independents around the country.

Last year was no exception, as the 12-million-household lawn and garden customer base for home centers was considerably smaller than the market from which garden centers, discounters and mass merchants are drawing, according to data just released by the National Gardening Association (NGA), Burlington, Vt.

Expects flat sales this year

Bruce Butterfield, NGA's research director, said the hot weather last year and the rainy weather through the first half of 1989 have played havoc with dealers' lawn and garden business.

However, he noted that sales in the second quarter have been decidedly better than in the first, and alluded specifically to quarterly reports from General Host—the parent of the Frank's Nursery and Flower Time, the nation's largest specialty chains—which stated that while same-store sales in the first quarter fell 8.4 percent, comp-store volume rose 2.1 percent in the second quarter.

"I'm pretty certain that, depending on the weather through the rest of the year, total sales in 1989 will equal last year's," he said. "The bad weather has hurt a lot of things, and there's a real need for landscaping and live plant replacement in many markets."

But Butterfield's projections are couched in caution because of the decline in new home building around the country and the fact that the "real investment" in lawn and garden maintenance is generally made a year after a family moves into a new home, he said.

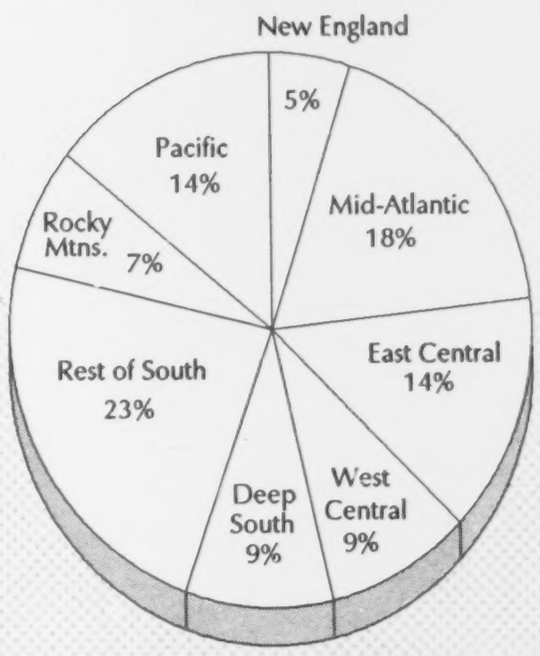
Business off 11 percent in 1988

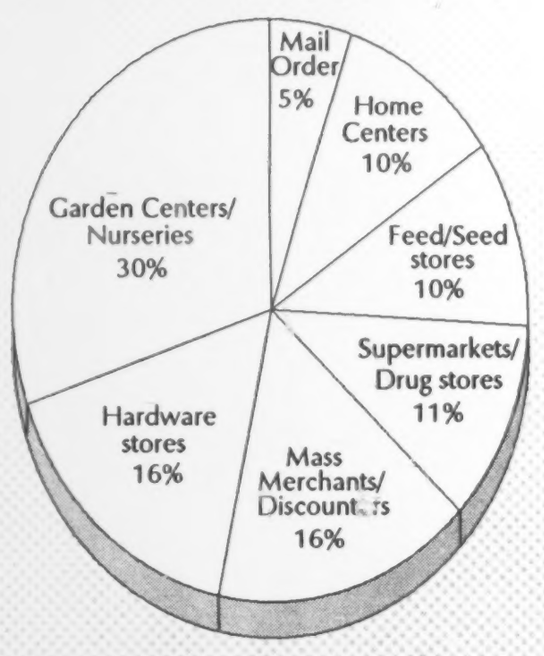
This could put a damper on what has been steady sales growth in the lawn and garden category over the decade that stalled in 1988 and may be flattening this year.

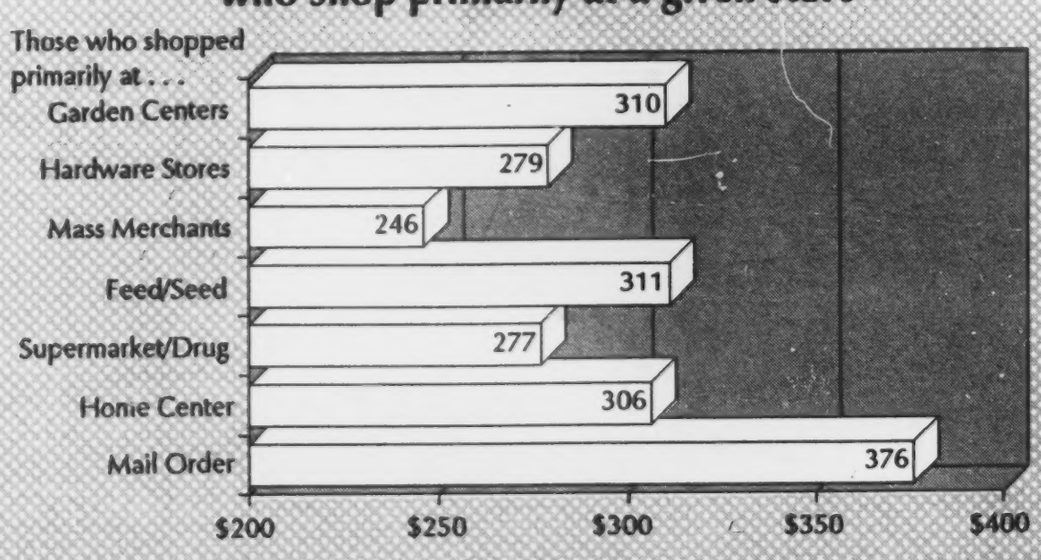
Retail lawn and garden sales by all types of retailers grew by more than 30 percent from 1983 to 1988, and the "lawn care" segment—which essentially includes live plants, irrigation products, tools and outdoor power equipment—has expanded by more than 48 percent during this period.

However, sales in this category fell more than 11 percent to $15.52 billion in 1988, reports NGA in its annual *National Gardening Survey*. This information was extrapolated from more than 2,500 personal interviews conducted for the association by the Gallup Organization and is projectible over 91 million households, of which an estimated 62 million purchased lawn and garden products last year.

(Continued on page 22)







SELLING PROJECTS | THE GREAT BACKYARD

Weather causes retailers to expect flat 1989 L&G sales

(Continued from page 21)

The sales decline was attributable primarily to the drought in 1988, which, according to NGA, was the fourth worst on record.

By sheer numbers, the greatest amount of lawn and garden products last year was bought by college-educated Southerners between the ages of 30 and 49 who are married with children, live in the suburbs and have household incomes exceeding $40,000. The typical household spent $227 on lawn and garden products last year, down $24 from 1987.

Sales don't tell the full tale, though, as there were some interesting buying shifts throughout the nation. For example,Southern retailers—excluding those located in the Deep South—increased their share of the overall national retail lawn and garden market by four percentage points to 23 percent in 1988.

This was at the expense, it seems, of dealers in the Middle Atlantic states whose share dropped to 18 percent of the total from 21 percent in 1987, and Pacific retailers, whose market share declined to 14 percent from 19 percent the previous year.

In all but the Deep South and the Rocky Mountain states, regional lawn and garden sales declined last year from 1987 totals. Nevertheless, the growth of the category over the last five years has been pronounced. In fact, the Rocky Mountain area has experienced a 127 percent sales increase between 1983 and 1988; the Southern states' lawn and garden business has expanded by 58 percent over this time frame.

The Pacific states in particular are expected to rebound strongly in 1989, said Butterfield, especially California which has had an abnormal amount of rain this year. "The state had its first green spring in a long time, and lawn and garden sales have been very strong there," he said.

Home centers' share of these customers' purchases, though, has not made much headway over the past several years. And one of the oddities in this category is that home center shoppers are usually big spenders on lawn and garden products, although they don't appear to be buying the products in home centers.

The amount spent last year by home center shoppers on lawn and garden products at all retail outlets rose marginally to $306 per household; only garden center shoppers and those who buy through the mail spent more.

(Mail order shoppers, in fact, are rabid lawn and garden purchasers as indicated by their big jump in spending last year. Butterfield revealed that when different shopper groups were compared on 120 products, mail order shoppers had bought 40 percent more in all outlets than the national average.)

According to NGA research, home centers are having the greatest success selling these items to Westerners, people with household incomes of $30,000 or more, and professional and business people.

By contrast, garden centers and nurseries, whose customer base is nearly three times that of home centers, have typically drawn their sales from homeowners in the South with incomes of $20,000 or better. These customers are spending slightly more than home center shoppers on lawn and garden products.

This isn't to say, though, that home centers aren't commanding a sizeable portion of lawn and garden sales in some markets. "The good home centers in this category are the ones who position their departments like they're specialty stores," said Butterfield.

He pointed to home centers in Europe that dominate in lawn and garden sales—the B&Q chain in England for instance, is that nation's leading seller of live plants—as examples of what home centers here could accomplish if they commit to the category. "It takes service, but it also takes selection in green goods," he said. "You've got to have a strong nursery presence."

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OPEI survey examines where L&G dollars are spent

By an NHCN staff editor

NATIONAL REPORT — The nation's home centers continue making slow but steady gains in selling outdoor power equipment to shoppers.

Figures supplied by the Outdoor Power Equipment Institute (OPEI), Alexandria, Va., show home centers captured 5 percent of all retail sales of this $3.8 billion industry in 1988. While a modest figure, it is an increase over the 3 percent of 1983 and 1 percent in 1978.

Hardware stores gained slightly in retail share last year, from 12 percent in 1983 to 13 percent in 1988. But that's still below hardware stores' 16 percent share in 19[illegible] (*see chart*).

Sales of outdoor power equipment usually follow the path of the overall U.S. economy. The growth and decline of walk-behind mower units shipped during the past 15 years is indicative of this trend.

For instance, the survey states the number of units shipped expanded to 6.4 million in 1973, a year that the nation's economy fared well. Just two years later, as the nation experienced a general economic slowdown—as well as a severe housing decline—units shipped fell to 4.7 million.

The figure gradually built up to 5.9 million in 1979, but fell again during the slowdowns in 1980 and 1982. Then, during the seven-year economic recovery which began in 1983, walk-behind mower shipments grew each year, until 1988 when a nationwide drought stymied sales.

Overall industry growth seen

Other products did not follow this trend since many were not fully developed in the marketplace and others are even more dependent on weather conditions, such as snow throwers.

The $3.8 billion industry figure for 1988 is a 3 percent increase over the previous year. The industry's strongest years were 1974, 1978 and 1979 when shipments increased 33, 35 and 26 percent, respectively.

And apparently, a tough economy curtails sales more than a severe drought since the industry had its worst losses in 1975, 1980 and 1981 when shipments fell 13, 11 and 11 percent respectively in those years.

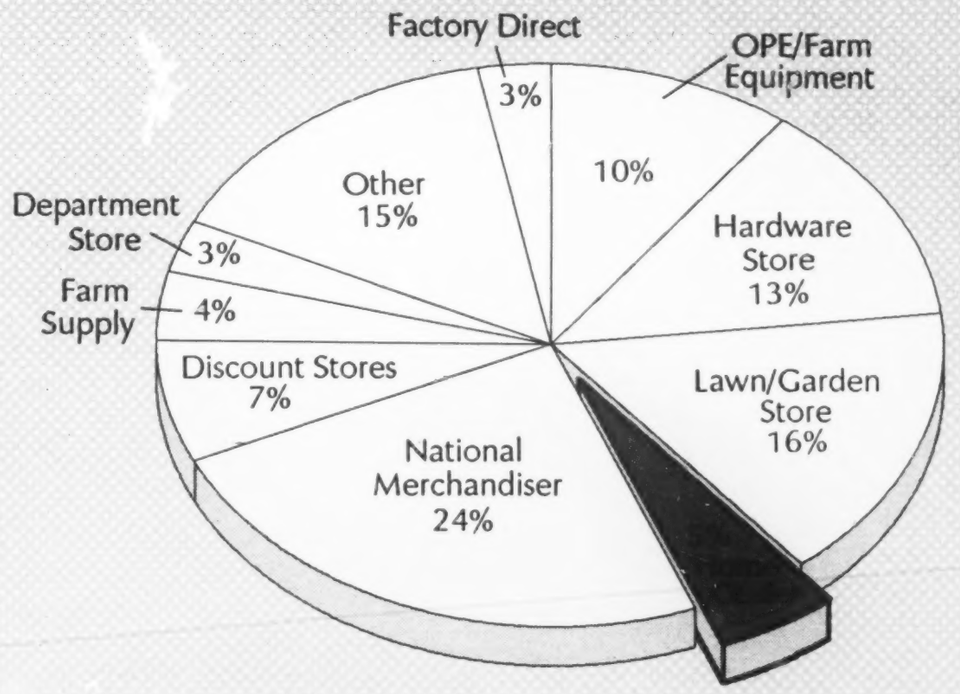
The seasonality of the OPE industry is clearly indicated in the study, as retail sales usually lag two or three months behind shipment dates. Retail sales for both walk-behind and riding mowers peak during the months of April and May.

OPE suppliers in the U.S. continue making strides in exporting. U.S. Census figures indicate exports were $171 million in 1986, while preliminary figures for 1988 show exports topping the $400 million mark. Imports have also risen, from $118 million in 1985 to nearly $300 million in 1988, resulting in a trade surplus for the OPE industry of slightly more than $100 million.

The OPEI represents manufacturers of consumer and commercial outdoor power equipment and their major components. Some of the major products included for this survey are walk-behind lawnmowers, rear-engine riding mowers, lawn and garden tractors, walk-behind tillers, walk-behind snow throwers and various power rakes, thatchers, edgers and trimmers.

1988 Outdoor Power Equipment Retail Distribution

Finished Goods By Type Of Outlet

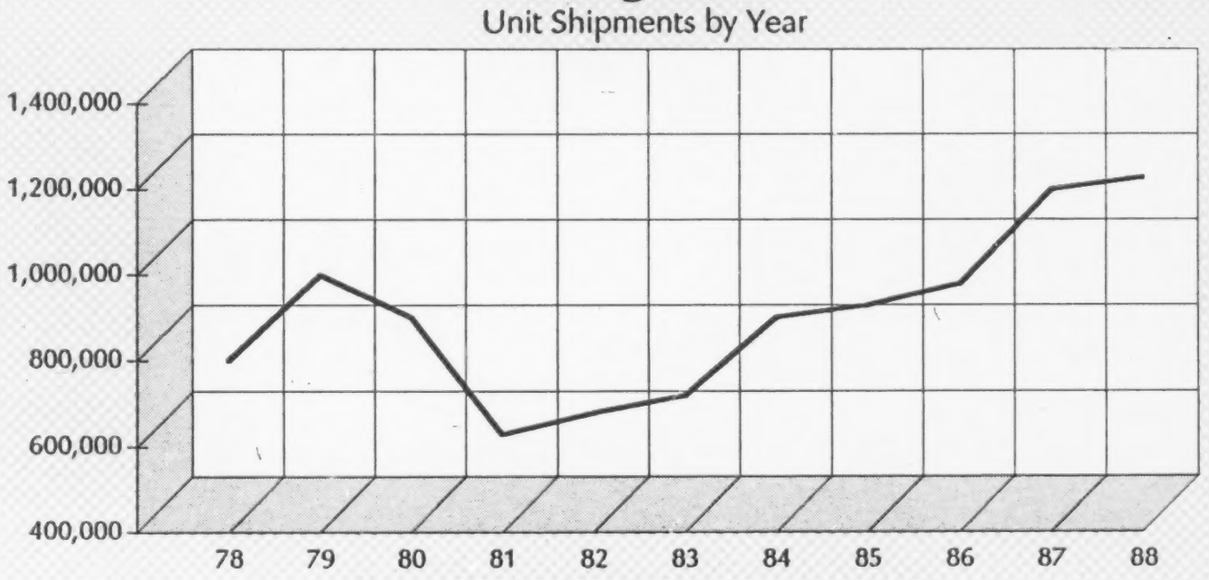


Although home centers grabbed only a small portion of the outdoor power equipment pie in 1988—5 percent—this figure does show a significant increase from the 1 percent share that home centers had ten years ago.

Source: Outdoor Power Equipment Institute Survey — *NHCN* chart

Riding Units

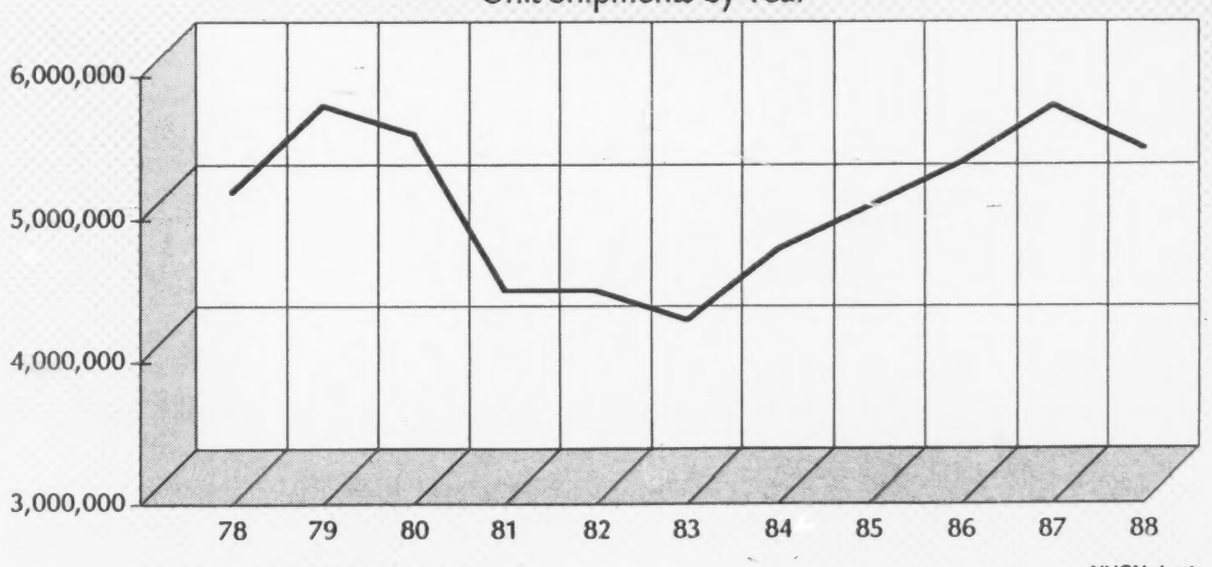
Unit Shipments by Year



The steady increases in sales experienced by both categories of lawn mowers seems to have stalled last year due to the drought conditions that affected most of the nation.

Walk-Behind Rotary Mowers

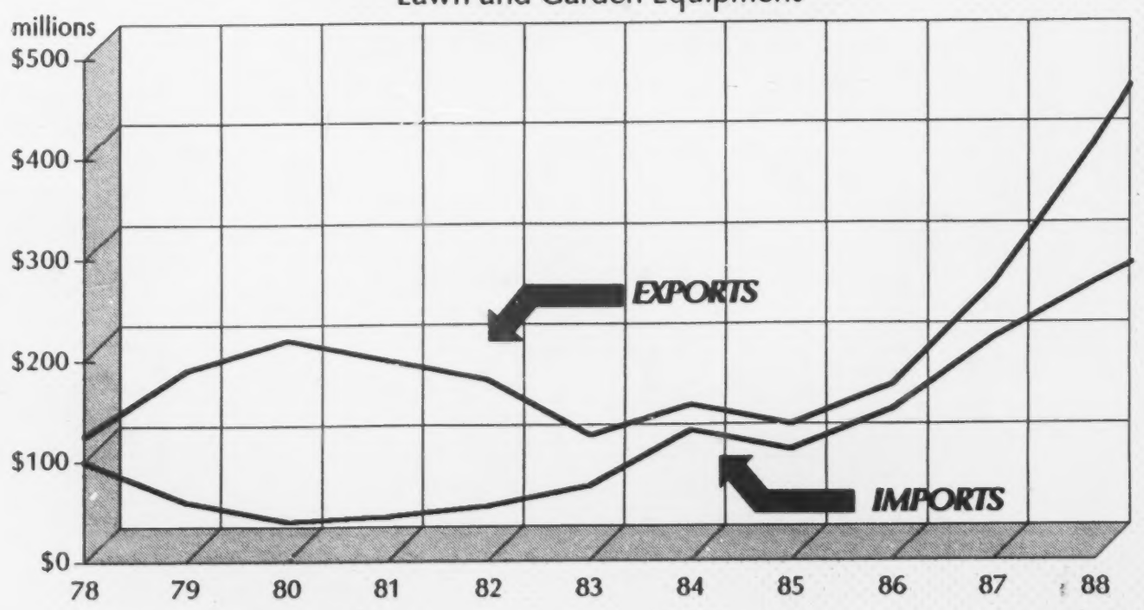
Unit Shipments by Year



Source: Outdoor Power Equipment Institute Survey — *NHCN* chart

International Trade Surplus

Lawn and Garden Equipment



OPE exports in 1988 more than doubled the amount from 1986—increasing from $171 million to more than $400 million. Imports have also risen during this time, creating an OPE trade surplus of more than $100 million.

Source: U.S. Bureau of the Census — *NHCN* chart

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*Source: "A Profile Of The Retail Market For Adhesive And Glue Products," 1987. (Wholesaler-served retailers.) Prepared by: Marketing Information and Research Services, National Retail Hardware Association, Home Center Institute.

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SELLING PROJECTS

Drip systems gain popularity as water device sales dry up

By an NHCN staff editor

NATIONAL REPORT — After enjoying record sales last year because of the drought, manufacturers of lawn and garden watering devices have come out with a slew of new products aimed at keeping the category strong.

Colorite, for example, has a kink-free hose that keeps water flowing despite obstruction. Teknor Apex debuted "designer color" hoses, in mint, peach and other shades. And almost all manufacturers have or plan to have water-saving drip irrigation or underground watering systems.

But the rains in several areas of the country have made last year's boom into this year's bust in this lawn care category for some retailers, for whom demand for water-related products has dried up. "That's the problem with weather-driven products," said one retailer. "You just can't count on them" for sustained business.

Big year unlikely to repeat

Sales of water equipment, including hoses, sprinklers and nozzles, rose nearly 30 percent to $35 million last year, according to figures from the National Gardening Association (NGA), Burlington, Vt.

NGA research director Bruce Butterfield said it is unlikely this performance will repeat itself, however. "Last year's sales gains were probably related to the drought," he said. "The circumstances are not the same this year." Many retailers would agree.

Rick Turner, manager of The Home Depot's store in downtown Atlanta, has tried to stimulate sales by merchandising drip irrigation systems—used in watering bushes and flower beds—in two store areas, lawn and garden and plumbing. "But it hasn't been moving," he said.

Heavy rains in Texas, meanwhile, have caused the 50-store Foxworth-Galbraith chain to postpone stocking drip systems in its outlets there. Its Arizona and New Mexico stores carry them.

And Elliott's, the 80,000-square-foot hardware store in Dallas, has sold two-thirds fewer garden hoses than last year. "I got 1,000 rolls of hoses sitting on the floor," said buyer Don Morgan. "Lawn and garden is way down."

Not raining all over

Despite poor sales in these regions, however, manufacturers and retailers have been buoyed by demand in California and Florida, where another dry summer has taken hold. Ace Hardware, the Oak Brook, Ill.-based co-op, reports steady sales in this area from its 500-plus West Coast dealer-members. Two major East Coast-based chains are not suffering either.

Lowe's, the North Wilkesboro, N.C., chain with 296 stores, is selling just as many hoses and nozzles as it did last year at this time, said vp-merchandising Bob Cannon.

"It's been wet down here," said Cannon. "But people use hoses for other things, too, like washing cars and windows."

Hechinger, the 92-store, Landover, Md.-based company, is also doing well. Lawn and garden buyer Sue Wainio said a drip irrigation system manufactured by Rainmaster has been selling particularly well. "We're testing it for the first time this year, and we're pleased with the results," she said.

Drip systems promoted

Drip and in-ground irrigation systems consume as much as 70 percent less water than conventional systems, which is the main reason their future is viewed so optimistically.

Butterfield of NGA predicted that while there was no increase in sales of these items between 1987 and 1988, their sales performance will improve quickly over the next few years.

"Given all the water restrictions in place now, they have to pick up," he said. "And it's an added bonus for the consumer because, with automatic starters, he can water his lawn at 5 a.m. plus inject fertilizer through the sprinklers."

Jon Meyer, marketing manager for one drip irrigation manufacturer, Wade Rain, said the product has been slowly gaining popularity in home centers.

"It's not price sensitive, so retailers can basically charge what they want," he said, noting that the systems yield margins as high as 50 percent. Wade Rain's product can be found in Ernst Home Centers and Orchard Supply Hardware in California, and in nurseries elsewhere in the country, he said. A full system, with the various connectors and valves, sells in the $250 range at retail.

Teknor Apex is high on its "Soil Soaker" hose, which "sweats" water into the roots of plants and shrubs, said sales manager Mike Horsfield. A hose that will water a 50-foot section of soil retails for $10.99.

Horsfield said the three biggest retailers who carry the product are the Atlanta-based Home Depot, Hechinger and Chase-Pitkin, based in Rochester.

As a measure of how well it is performing, he said, Hechinger used to remove the product from its shelves in August until the following spring, but not any more.

"They leave it there," he said. "It was seasonal, but it's selling year round now."

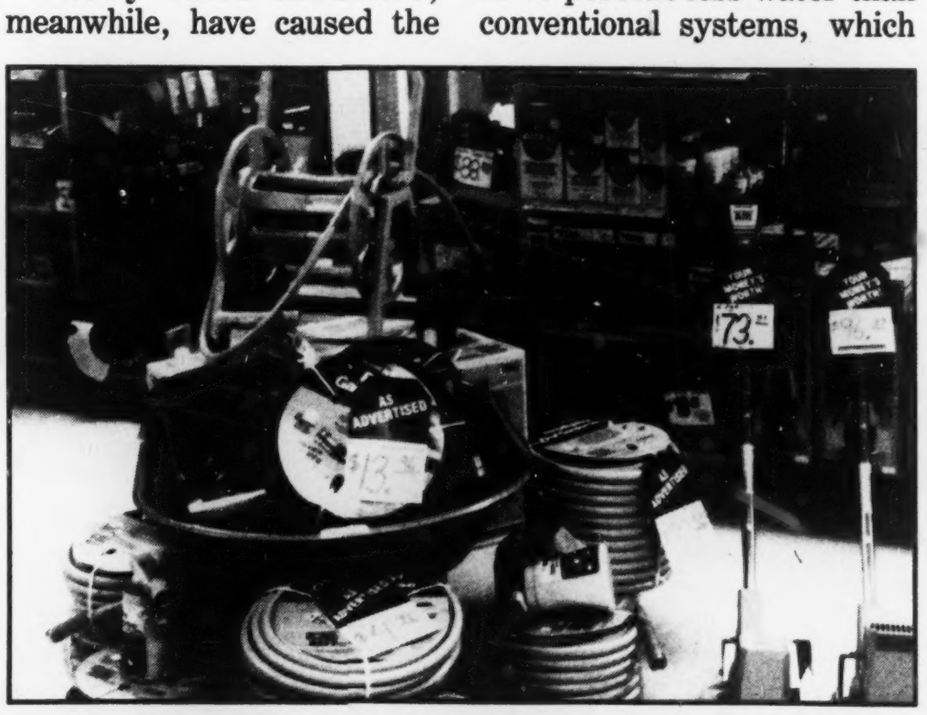
% of Households Who Purchased Lawn and Garden Products*

1988		1987
29	bought a hose	27
28	bought a nozzle	21
18	bought a connector	14
3	bought a timer	3
2	bought in-ground irrigation system	2
1	bought a drip irrigation system	1

*Based on 2,500 interviews in the fall of 1988, projectable to 69 million households who did a gardening or lawn care project in 1988.

Source: National Gardening Association

NHCN chart



Spurred on by record sales due to last year's drought, L&G manufacturers have deluged the category with new products. NHCN photo

Business Watch

stocks

GB-Inno's buyout of the remaining Scotty's stock nearly complete

By an NHCN staff editor

WINTER HAVEN, Fla. — Ninety-five percent of all Scotty's stock was tendered by the July 13 deadline, all but sealing GB-Inno-BM's total control of the 164-store home center chain based here.

The Scotty's board of directors and GB-Inno, the Belgian-based parent of Scotty's, came to an agreement in June that will turn Scotty's into a private company.

GB-Inno is said to be paying $139 million, or $16.50 per share, for the 8,467,000 shares of Scotty's common stock that it does not already own.

Notices were being sent in mid-July to the other five percent of stockholders whose shares had not been tendered by the deadline, according to Patrick Murray, account executive at the Chicago office of D. F. King & Co., Inc., the information agent for the offer.

Murray predicted that Scotty's stock will stop being traded on the New York Stock Exchange by mid-August.

Scotty's has been stymied in recent years with single-digit sales growth, due, in part, to growing competition in Florida from such chains as The Home Depot and Builders Square. A source within the chain predicted that Scotty's would try for a more warehouse look to better compete with these other warehouse chains.

Sources both inside and outside Scotty's have viewed the purchase as an attempt by GB-Inno to add sales-area floor space and total stockkeeping units to attract new shoppers (*NHCN*, July 3).

Officials at GB-Inno were unavailable for comment.

Stocks travel up, up and away

The home improvement industry continues to fare well on Wall Street, following a general upward trend for the entire stock exchange.

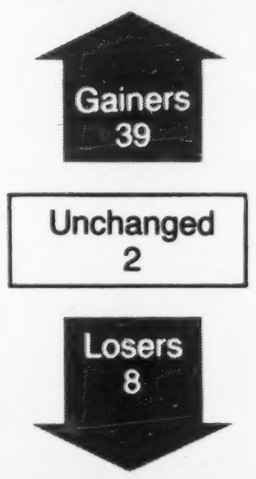
Of the 49 stocks tracked for *NHCN* by Media General, 39 advanced while only eight slipped downward during the period ending July 14. Two remained unchanged.

But among losers, Interco lost big, its stock price tumbling more than 23 percent to close at $1.88 per share, less than half the value of its 52-week high. The Strober Organization dipped by 4.35 percent and Scotty's was down a little more than 3 percent as the Belgian-based GB-Inno-BM made moves to complete its buyout of the Winter Haven, Fla.-based chain *(see other story)*.

Wholesaler Moore-Handley posted a loss for the period, down 5.8 percent to close at $4 per share.

Manufacturers, for the most part, did well during the reporting period. Owens-Corning and Armstrong World Industries advanced 11.02 percent and 10.4 percent, respectively.

Most other manufacturers posted moderate increases. Only American Woodmark, Boise Cascade, Mor-Flo Industries and USG Corp. showed any losses, with Mor-Flo leading the slide with a 4 percent drop to close at $6.25.



National Home Center News

HOME CENTER MARKET SUMMARY

Covering The Period 06/30/89 - 07/14/89

Name	Symbol	High	Low	Close	Change Amt	Change Pct	52-Week High	52-Week Low	Total Volume This Period	% Shrs. Outstanding	Average Daily Vol. Last 52 Week	Average Daily Vol. This Period	Last Fiscal Year	Latest 12 Months vs Preceding 12 Months Change Amt	Latest 12 Months vs Preceding 12 Months Change Pct	5-Year Annual Growth Rate	Profit Margin	Latest P/E Ratio	Indicated Dvd. Rate Amt	Indicated Dvd. Rate Yield	Last X-Dvd. Date	Last Fiscal Year Revenue	Last Fiscal Year Earnings	Current Ratio	Last Fiscal Year (Per Share) Long Term Debt	Last Fiscal Year (Per Share) Common Stock Equity	Last Balance Sheet Date
-	-	$	$	$	$	%	$	$	(100)	%	(100)	(100)	$	$	%	%	%	-	$	%	-	$ Mil	$ Mil	-	$	$	-
Retailers																											
Gen Bldg Prods	GBLD	3.75	3.50	3.50	.25	7.69	5.88	2.75	26	.06	36	3	-.06	-.74 Q	-100.0	NC	-.3	NE	.00	.0	00-00-00	79.3	-.2	4.6	5.48	4.01	1188
Grossman's Inc	GROS	8.75	8.25	8.63	.13	1.47	9.75	4.88	13,584	5.20	1,910	1,509	.50	.07 Q	14.0	NC	1.2	15.1	.00	.0	00-00-00	1141.6	13.2	1.8	6.15	3.88	1288
Hechinger A	HECHA	18.25	17.63	18.00	.38	2.13	19.50	15.88	7,139	3.49	1,033	793	NA	NA	NA	NA	NA	NA	.16	.9	05-01-89	NA	NA	NA	NA	NA	NA
Hechinger B	HECHB	18.25	17.50	17.88	.38	2.14	19.50	15.50	711	.47	69	79	1.30	.10 Q	8.5	16	4.8	14.1	.06	.3	05-01-89	1019.4	48.8	3.9	4.95	10.14	0189
Home Depot	HD	28.50	25.88	27.38	1.38	5.29	29.34	15.25	11,738	1.57	2,288	1,304	1.00	.27 Q	33.3	45	3.8	25.3	.12	.4	07-11-89	1999.5	76.8	1.7	1.45	5.16	0189
Interco	ISS	2.63	1.88	2.00	-.63	-23.81	3.88	1.88	21,108	5.83	NC	2,345	NA	NA	NA	NA	NA	NA	.00	.0	00-00-00	NA	NA	NA	NA	NA	NA
K mart Cp	KM	37.88	36.00	37.75	1.75	4.86	40.38	31.25	54,883	2.75	5,957	6,098	4.00	.44 Q	12.8	13	2.9	9.8	1.64	4.3	05-12-89	27301.4	802.9	1.9	13.50	21.66	0188
Lowe's Cos	LOW	26.13	25.25	26.13	.88	3.47	27.25	18.75	2,890	.78	589	321	1.83	.23 Q	14.4	3	2.7	14.3	.48	1.8	07-10-89	2516.9	69.2	2.4	4.73	14.79	0188
NHD Stores	NHDI	9.00	8.25	9.00	.25	2.86	9.50	5.00	149	1.14	26	17	.79	.21 Q	38.9	12	1.9	12.0	.00	.0	09-16-86	51.4	1.0	2.1	4.07	7.14	0189
Natl Lumber	NTLB	2.50	2.00	2.38	.13	5.56	3.25	1.75	300	.53	38	33	-.82	-1.07 Q	NC	NC	-3.0	NE	.00	.0	00-00-00	152.0	-4.6	1.2	.21	2.86	0189
Scotty's Inc	SHB	16.50	16.00	16.00	-.50	-3.03	16.50	10.50	1,419	.97	263	158	.76	-.50 N	-63.3	-21	2.0	55.2	.52	3.3	07-06-89	550.8	11.1	2.1	3.58	12.20	0688
Sears, Roebuck	S	45.63	43.63	45.25	1.50	3.43	48.13	34.75	52,593	1.42	8,815	5,844	2.40	-1.44 Q	-35.4	-6	1.8	17.2	2.00	4.4	05-26-89	50407.8	909.5	.0	26.15	37.75	1288
Std Brd Pnt	SBP	18.13	16.38	17.25	1.13	6.98	19.38	11.75	2,805	4.90	369	312	.57	-2.27 N	-100.0	NC	2.1	NE	.00	.0	08-11-87	305.5	6.5	2.9	16.51	4.04	0188
Strober Organiz	STRB	5.75	4.75	5.50	-.25	-4.35	11.25	4.75	902	1.48	53	100	.64	-.18 Q	-23.7	13	2.8	9.5	.00	.0	00-00-00	140.4	3.9	1.7	1.09	4.93	1288
Wolohan Lumber	WLHN	18.00	16.50	17.25	.38	2.22	27.00	14.25	474	.81	206	53	1.92	.44 Q	29.5	48	4.3	8.9	.28	1.6	05-25-89	257.8	11.2	2.6	4.79	9.02	1288
Wholesalers																											
Hughes Supply	HUG	21.88	18.50	21.25	2.75	14.86	21.88	16.50	1,512	3.11	52	168	1.99	.08 Q	4.2	10	1.9	10.8	.36	1.7	07-31-89	501.9	9.7	3.0	15.72	18.88	0189
Moore-Handley	MHCO	4.00	4.00	4.00	-.25	-5.88	4.75	3.75	15	.06	12	2	-.14	-.10 Q	NE	NC	-.3	NE	.20	5.0	10-03-88	99.7	-.3	1.8	3.25	6.13	1287
Manufacturers																											
Am Consum Prods	ACPI	8.88	8.75	8.75	.00	.00	12.50	8.75	190	.73	14	21	.70	.01 Q	1.4	NC	2.3	12.3	.00	.0	06-08-88	78.6	1.8	4.3	7.33	5.40	1288
Am Woodmark	AMWD	13.50	13.13	13.25	-.13	-.93	13.50	8.25	382	.51	54	42	.70	.11 N	14.1	NC	4.1	14.9	.00	.0	05-24-88	129.5	5.3	1.9	4.00	4.41	0488
Armstrng Wrld	ACK	50.88	42.75	49.00	4.63	10.42	50.88	31.75	54,847	11.86	1,919	6,094	3.51	.13 Q	3.9	20	6.1	14.1	1.06	2.2	05-01-89	2680.3	162.7	1.2	4.02	21.73	1288
Black & Decker	BDK	20.50	19.00	20.38	1.25	6.54	25.25	18.13	19,347	3.30	2,523	2,150	1.55	.55 S	42.3	7	4.3	11.0	.40	2.0	06-05-89	2280.9	97.1	1.7	4.73	12.38	0988
Boise Cascade	BCC	44.38	43.13	44.00	-.38	-.85	46.50	39.25	12,993	2.91	1,448	1,444	6.34	2.23 Q	50.9	39	7.1	6.7	1.40	3.2	06-09-89	4094.6	289.1	1.3	20.59	37.34	1288
Catalina Lghtg	LTG	12.50	11.25	12.50	1.13	9.89	15.25	5.25	1,406	3.83	170	156	.41	.27 S	100.0	NC	4.1	23.1	.00	.0	00-00-00	26.9	1.1	1.6	.06	1.52	0988
Champ Intl	CHA	34.00	33.13	33.75	.50	1.50	35.13	29.50	22,913	2.40	2,981	2,546	4.80	.41 Q	9.1	NC	8.9	6.9	1.10	3.3	06-12-89	5128.5	456.4	1.4	20.00	35.05	1288
Clairson Intl	CLIC	7.50	7.19	7.19	.44	6.48	7.50	2.75	6,455	12.68	203	717	.55	-1.03 N	-100.0	NC	3.3	NE	.00	.0	00-00-00	82.0	2.7	1.8	3.54	3.89	0987
Cooper Indus	CBE	33.13	30.88	32.75	1.25	3.97	34.25	25.06	12,711	1.25	2,141	1,412	2.21	.48 Q	27.0	22	5.3	14.5	1.00	3.1	05-01-89	4258.3	224.4	1.7	11.54	17.47	1288
DeSoto Inc	DSO	38.88	36.88	38.13	1.50	4.10	52.50	29.75	1,554	3.86	382	173	.79	-1.86 Q	-72.7	-24	.8	54.5	1.40	3.7	03-21-89	402.5	3.2	1.8	12.33	24.29	1288
Emhart Corp	EMH	40.00	39.75	39.88	.13	.31	42.75	18.88	1,100	.18	3,082	122	2.02	.32 F	18.8	NC	4.6	19.7	.88	2.2	02-28-89	2762.5	126.6	1.6	10.81	14.37	1288
Georgia Pacific	GP	45.75	42.88	45.63	1.75	3.99	47.50	33.25	14,965	1.58	2,384	1,663	4.76	.85 Q	18.7	43	4.9	8.5	1.40	3.1	05-15-89	9509.0	467.0	1.9	26.51	27.79	1288
La Pacific	LPX	35.13	32.38	35.13	1.88	5.64	35.38	26.00	5,744	1.49	921	638	4.02	-.18 Q	-4.4	41	8.5	9.1	1.00	2.8	05-12-89	1799.4	153.6	3.3	9.92	30.51	1288
Macmillan Bloedel	MMBLF	15.13	14.38	15.13	.75	5.22	17.25	13.88	7,297	.71	587	811	2.58	.21 Q	9.3	NC	10.1	6.1	.80	5.3	02-13-89	2743.8	276.4	.0	.00	.00	0000
Manville Cp	MVL	7.75	7.00	7.63	.25	3.39	8.88	6.38	3,459	1.44	NC	384	NA	NA	NA	NA	NA	NA	.00	.0	00-00-00	NA	NA	NA	NA	NA	NA
Masco Corp	MAS	30.13	29.00	29.88	.50	1.70	31.13	23.63	29,424	2.14	2,892	3,269	2.10	.17 Q	9.3	17	11.8	14.9	.52	1.7	07-17-89	2438.6	288.3	3.0	7.30	11.30	1288
Mor-Flo Inds	MORF	6.25	6.00	6.00	-.25	-4.00	7.75	4.50	17	.07	21	2	-1.11	.45 Q	NE	NC	-1.3	NE	.01	.2	12-09-88	218.0	-2.8	1.8	12.85	14.08	1288
Newell Co	NWL	40.25	38.00	39.75	1.50	3.92	40.88	21.13	3,726	1.27	526	414	2.18	.88 Q	61.1	22	6.2	17.1	.76	1.9	05-16-89	988.2	61.4	1.7	6.56	11.19	1288
Nortek Inc	NTK	8.75	8.00	8.38	.38	4.69	10.38	6.38	1,836	1.24	379	204	.90	1.28 Q	NE	NC	1.1	19.9	.10	1.2	06-30-89	1224.2	13.2	2.9	38.65	16.34	1288
Owens Corn	OCF	32.88	29.13	32.75	3.25	11.02	33.00	19.50	10,144	2.54	1,176	1,127	4.71	4.87 Q	NC	NC	7.0	6.7	.00	.0	00-00-00	2831.0	197.0	1.2	32.73	-15.18	1288
Ply-Gem	PGI	13.25	12.63	12.88	.00	.00	15.25	11.38	1,459	1.35	219	162	1.41	.64 Q	95.5	16	4.1	9.8	.12	.9	05-15-89	383.7	15.9	4.0	7.71	9.37	1288
Pope & Talbot	POP	25.00	24.13	25.00	.25	1.01	25.00	16.13	1,524	1.29	236	169	2.68	.36 Q	14.7	NC	6.2	8.9	.60	2.4	04-25-89	515.0	31.9	1.9	6.24	13.05	1288
Potlatch Cp	PCH	36.00	33.88	35.00	.25	.72	38.00	29.00	3,715	1.38	373	413	4.04	.94 Q	27.2	33	10.4	8.0	1.04	3.0	02-09-89	1084.1	112.4	2.4	13.66	24.97	1288
PPG Inds	PPG	44.75	43.25	44.75	.63	1.42	46.00	36.25	18,610	1.61	1,629	2,068	4.26	.81 Q	22.9	18	8.3	10.3	1.52	3.4	05-04-89	5638.7	467.6	1.5	8.00	20.48	1288
Rep Gypsum	RGC	5.75	5.00	5.50	.25	4.76	6.38	4.25	848	.84	62	94	.20	.03 N	14.3	-22	3.8	22.9	.20	3.6	05-24-89	52.1	2.0	3.4	1.09	3.16	0688
Sherwin-Wms	SHW	31.38	29.25	31.13	1.88	6.41	31.63	24.88	9,019	2.10	1,065	1,002	2.30	.14 Q	6.5	14	5.2	13.5	.70	2.2	05-22-89	1950.5	101.1	2.0	3.01	13.97	1288
Stanley Works	SWK	35.25	32.75	35.25	1.88	5.62	36.75	24.00	6,219	1.45	939	691	2.40	.40 Q	19.2	10	5.4	14.2	.96	2.7	06-06-89	1909.0	103.5	2.7	7.93	16.31	1288
Thos Inds	TII	18.88	18.13	18.88	.38	2.03	23.31	18.13	673	.66	108	75	1.62	.00 Q	.0	5	5.1	11.2	.72	3.8	05-26-89	347.6	17.7	2.7	.00	12.25	1288
Union Camp	UCC	37.63	35.13	37.25	2.13	6.05	38.63	31.00	14,225	2.07	1,594	1,581	4.25	1.28 Q	40.3	17	11.1	8.4	1.48	4.0	08-28-89	2660.9	295.2	2.4	9.13	22.66	1288
USG	USG	5.25	4.88	4.88	-.13	-2.50	7.75	4.75	6,821	1.26	2,011	758	2.38	-1.42 Q	-46.1	NC	5.6	2.9	.00	.0	00-00-00	2248.0	125.5	1.0	44.18	-27.26	1288
Waxman Inds	WAX	8.75	7.75	8.50	.75	9.68	12.00	7.00	1,448	1.57	297	161	.71	.14 N	22.2	22	4.3	11.0	.10	1.2	03-03-89	152.4	6.6	2.6	3.63	2.27	0688
Weyerhaeuser	WY	29.38	27.38	29.00	1.38	4.98	30.88	23.25	28,518	1.40	4,323	3,169	2.68	.68 Q	31.5	26	5.6	10.2	1.20	4.1	04-24-89	10013.9	564.4	.0	16.55	19.86	1288

All Data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share

Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

Iowa dealers check the weather before planning ads

By Gary S. Ruderman

DES MOINES, Iowa — There's not a lot of rain here in Iowa this year. Mind you, it's not a drought and the crops look swell, but they're still a little dry.

Business isn't what is was in the roaring 1970s, store owners keep saying. There's no more rush to build new homes. There's no pent-up demand from the farm sector, which was supposed to appear two years ago.

Even farm subsidy money from the federal government that went into grain storage bin construction is spent; there's no surplus of grain after the drought of 1988.

That makes for some interesting decisions for the Hawkeye State's retailers. Marketing and advertising strategies have to change with the weather because a July ad for lawn trimmers planned in June could prove disastrous.

Promotional dilemma

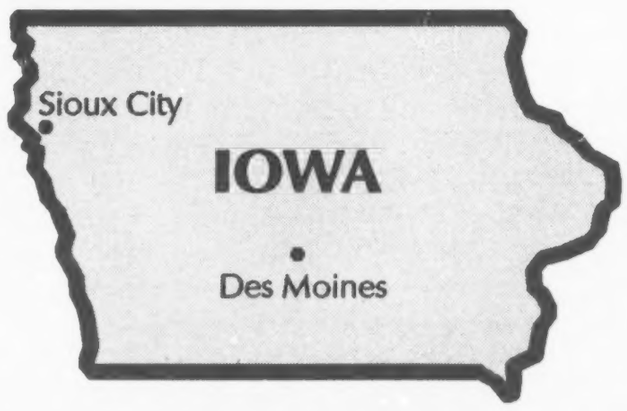
Ad plans "change with every rain we get," explained John Schulenberger, general manager of Walensky Lumber in Sioux City, Iowa. Every Saturday Schulenberger makes up the weekly ads and, especially in the hot summer, it gets harder to decide what products will sell.

"We'd like to advertise to the farm trade but they're in the doldrums," he admits. Repetition, he also admits, creeps into the ads.

"We'd be better off if we could dictate what goes into an ad [based on] the last few weeks of weather," said Dan Hoffman, ad manager of Keystone Products, a single-unit, $2 million retailer in Burlington, Iowa. "One big rain could change everything."

Hoffman uses monthly circulars from its co-op, Hardware Wholesalers, Inc., which often are made up six months in advance.

Others like Julie Tujetsch in eastern Iowa make changes pretty quickly. Tujetsch, advertising manager for Theisen Supply based in Dubuque, splits the eight-yard chain's advertising between rural and city ads. Right now, instead of pushing fans or paint to the rural areas, she's featuring fly control products. In the city markets, ceiling fans and garden hoses are getting prime ad space rather than trimmers.



"We try to advertise the products people will need" when its dry, said Tujetsch. She was planning a fall circular in mid-July that would tell homeowners how they can bring back lawns damaged by the summer heat and lack of rain.

Tujetsch and her staff of two spend 2 percent of budget on advertising. Theisen hosts a 30-minute radio show on the local station and spends ad dollars on a television and newspaper campaign in the fall.

Farther west, in tiny Vinton, Iowa, Bob Harrison already switched his advertisements in the Cedar Valley *Daily Times* from lawn and garden to a window sale campaign. Harrison, vp of McDowells' Lumber, said there wasn't much home building or pole barn construction this year. So he's switched the yard's advertising emphasis to siding and shingling products for needed rehab projects.

"It seems to be working," Harrison said.

Farm biz a lost cause

On Iowa's western border, Red Oak Building Center has decided to give up on marketing to farms. Three years ago Red Oak's owner Ron Carlson was convinced pent-up farm demand would bring in a rush of business. Today, tempered by last year's drought and still-depressed grain prices, Carlson has his own crew out concentrating on the repair and remodeling markets. Decks and garages appear to be the best sellers for the more affluent country dwellers.

Seventy-five percent of Red Oak's business, however, remains the walk-in DIYer.

In Des Moines there's little change from normal summer sales. A manager at the Sutherland Lumber unit in suburban Windsor Heights said rain, or the lack of it, "doesn't affect much of what people in Des Moines buy. Maybe there's more or less sprinklers sold." A contractor desk manager was equally sanguine, saying there's little if any change in the mix of what gets sold to or done by contractors in the summer months here.

There have been subtle changes in the Spencer, Iowa, area. Since government money for grain storage has dried up, there isn't much call for pole barns or large storage sheds, explains Roger Rastad, ad manager of Shoppers Supply, the five-store chain with sales in excess of $8.5 million last year.

"When farmers cancel plans for building and repairs around the farm, sales fall off," noted Chuck Spahn, president of Iowa's largest chain, the 23-unit Spahn & Rose. Some farmers, he said, are starting to talk about changes in crops that could lead to such a halt in building or repairs.

Repair and remodeling customers are concentrating on smaller projects—decks, room additions, siding and porches.

Mill strike brings about short supply and high prices

(Continued from page 1)

By the third week of July the increases affected only smaller yards and chains that lagged in contracting deliveries through August. If the strike continues for any period of time, said eastern traders, major eastern and southern retail chains will feel the shortages too.

Members of the United Brotherhood of Carpenters and Joiners and the International Woodworkers of America struck G-P's five mills in Mississippi and Arkansas. The contract, under which the 2,000 people worked, expired June 1, Georgia-Pacific spokeswoman Beth Zoffman said.

The mills supplied 35 percent of G-P's national production of softwood plywood, primarily to midwest retailers, Zoffman said. G-P has 16 southern pine plywood mills. Some veneer production, drying and glueing continues at the five struck plants, G-P spokesman Terry Hadaway said.

Central Builders Supply, one of two leading commodity buying groups in the Midwest, experienced price hikes of $20 to $40 per thousand square feet the week of July 10, according to Bret Pobanz, ceo, of the Sturgis, Mich., firm.

John Beers, lumber sales manager for the Progressive Affiliated Lumbermen (PAL) buying group, Grand Rapids, Mich., said average prices to retailers rose 60 cents to $2 a sheet in that harried week, effectively erasing margins on the competitive commodity.

Beers noted some panic buying as distribution centers sold out of plywoods and OSB. Since June, western plywood has gone from $141 to $200 a thousand square feet for CDX, 7/16-inch panels, rising $21 the week of July 10 alone. Dealers will have to forgo any markup and sell below cost buying at the market rate, Beers said.

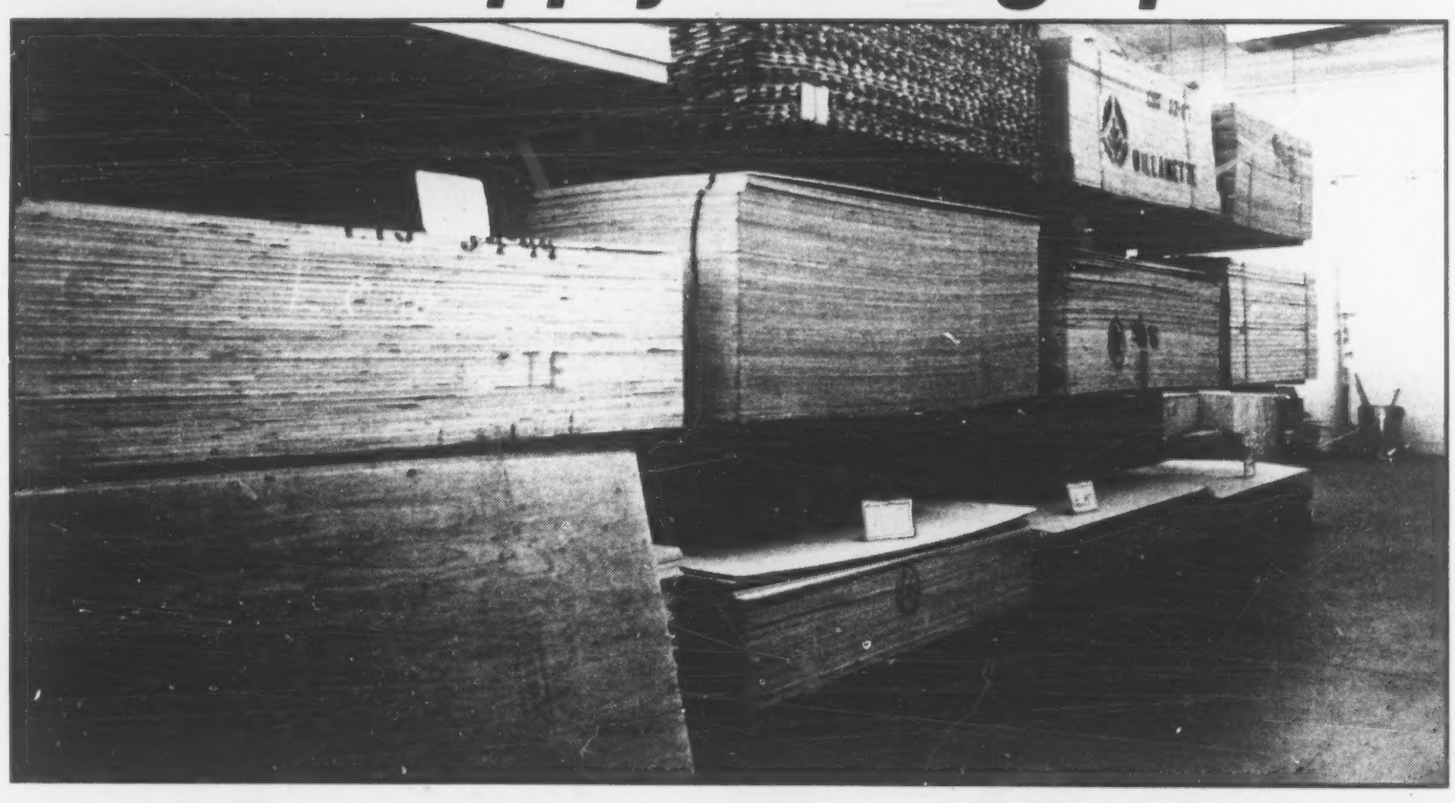
OSB, which is not directly affected by the strike, rose some $20 per thousand square feet in the week, narrowing the normal $2 per sheet retail price gap between the higher-priced OSB and plywood.

"It hurts retailers because they can't quote a job. After two flat years, dealers were keeping inventories down" when the hikes and some allocations hit, Beers noted. PAL delivers more than 35 truckloads of OSB a week to its Midwest dealers.

Dave Bartell, an associate editor of *Random Lengths*, the weekly lumber reporting service, Eugene, Ore., said the whole paneling market "erupted" following the GP strike.

Bartell said this is normally the time of the year when capacity is off due to summer mill maintenance. Added to west coast shutdowns, which were due to earlier depressed panel prices versus veneer costs, and "it appears the pipeline was dry. Distribution centers were cleaned out this week."

Treen of HWI acted as quickly as possible to change a major building materials flyer going out to several million households. Awakened to news of the strike Monday morning, he called the printer in time to block out plywood and OSB prices on about 30 percent of the flyers. The other dealers will have to sell the product at 25 percent to 30 percent less than replacement cost, he observed.



So far, the strike has only caused increases at smaller lumber yards, although larger retail chains are sure to feel the pinch if it drags on. NHCN photo

"Most people had received their orders already. People wished they'd stockpiled more," Treen said.

"What can you do about it?" asked Vince Toepfler, manager of Hoskins Lumber, a major contractor yard in Elizabeth, Ill., a booming new home community in northwest Illinois. "You hope you're not too low (in inventory) and hope that prices come down in the meantime."

Study finds that high costs will continue to block home ownership

(Continued from page 7)

fortunate that much of repair and remodeling involves more upscale materials that yield higher margins.

"With housing starts today at 1.3 to 1.5 million, that's far lower than any time in the recent past," he said. "Things are not exactly what we'd like, but they could be worse."

Hylbert blamed government in California for causing add-on costs to home buyers by taxing everything from filing fees to road construction.

"Some of these costs are necessary," he said. "But most of it doesn't involve building materials and doesn't move any dirt."

The report said those age 45 and over represent one of the fastest-growing groups of homeowners.

It said many of them bought their homes before housing prices escalated during the 1970s.

Among those 25-29 years old, the homeowner rate fell from 43.3 percent in 1980 to 36.2 percent last year. In the 30-34 age group, it dropped to from 62.4 percent in 1976 to 52.6 percent.

Weather on both coasts hinders summer sales

(Continued from page 1)
enced rainfall "well above" the norm, said meteorologist Richard Tinker of NMC, ranging from 10 inches in West Virginia to 20 to 30 inches in New England.

In the New York City suburb of Poughkeepsie, H. G. Page & Sons, a contractor-oriented independent, blames the weather for prompting price increases on one of its biggest sellers, pine-treated lumber.

"The cost has just gone out of sight," said owner Henry Page, claiming a $20 increase per 1,000 board feet. "Cutters can't get into the woods with all the water."

Business at Paramus Building Supply Co., Paramus, N.J., has been off by five percent this summer. The usually heavy construction season between April and June has been pushed back, according to salesman Steve Rivera, who lamented about 23 days of rain in May.

"We've had more good days in July, so hopefully the rest of the summer will make up for the spring," he said.

Disaster's silver lining

The bad weather has sometimes been a boon to building suppliers, however, even while being others' misfortune.

During the second week of July, violent thunderstorms and tornados ripped through the New York-New Jersey-Connecticut area. In the New Haven, Conn., suburb of Hamden, 150 businesses and homes were seriously damaged and 20 to 30 buildings were flattened.

Two days after the tornado hit, Hamden's Centerville Lumber Co. was being deluged with calls for plywood. But the bulk of requests for repair materials, such as roofing and siding, would come a week later, predicted Centerville's manager Richard Roos.

"We're out searching for more inventory now," he said.

Lloyd Home & Building Centers' store in another damaged area—Carmel, N.Y.—was doing an exceptional business selling chainsaws and water pumps. The company was offering a 10 percent across-the-board discount because of the storm. "We live in these communities," said Ron Niemiec of Lloyd.

Sales of roofing materials have also picked up sporadically in the Southwest because of hail storms this summer. But even without such a boost, one building materials retailer, Woodward Lumber Co. in Las Cruces, N.M., said business from contractors has been excellent. This, despite summer temperatures that regularly break the 100-degree mark.

"What you do is start work earlier in the day and quit earlier," said Bobby Robles of Woodward.

A similar philosophy was advocated by Roger Holmes of Holmes Lumber Co. in Jacksonville, Fla. "In the summer, we start at 6:30 a.m. instead of 8." Florida had a dry spring and summer, chalking up a 25-inch rainfall deficit, but the NMC predicts that will be made up by the summer's end.

Sunny and warm out West

The Pacific Northwest, meanwhile, has been enjoying perhaps the most cooperative weather in the country. Hal Smith, ceo of the Seattle-based, 73-store Ernst Home & Nursery, said there have been seasonable temperatures and just the right amount of rain.

He said February and March were unusually cold for this area. "So I guess we're being rewarded now."

Conn. economy forces closing of P.F. O'Connor, Lloyd's units

(Continued from page 7)
showrooms, the P. F. O'Connor units focused primarily on contractor customers. Together they generated sales of between $22 and $24 million, according to O'Brien.

The stores P. F. O'Connor is closing still trade under the name Brewsters, although they have been part of the P. F. O'Connor company since their acquisition in 1986. Until then, together with the flagship store in Providence, R.I., and the Wilmington, Mass., location they were run by president Arthur Milot, who founded the company in 1966.

Last year the Connecticut P. F. O'Connor units were scheduled for renovation once work had finished on the Wilmington, Mass., store, but these plans were later canceled.

By that time, Hechinger and Rickel had moved into Newington, Conn., just south of Hartford, Builders Square had opened a new unit in Orange, Conn., and rumors spread of Home Depot's imminent arrival.

"These two [stores] have been the least profitable and due to economic conditions we decided it was best to close them," said O'Brien. "The lack of business and increased competition is a bad combination."

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Vol. 15, No. 16 July 31, 1989

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Former W. R. Grace executive named as ceo of Pay 'N Pak

By Brad Altman

KENT, Wash. — Former W. R. Grace executive John H. Markley has been named chairman and ceo of Pay 'N Pak, headquartered here.

Markley replaces David J. Heerensperger, who resigned Aug. 1 after nearly 20 years as chief executive of the 102-unit retailer (*NHCN*, June 5). Heerensperger reportedly has not severed all ties; he remains a Pay 'N Pak consultant.

Heerensperger said Markley's "experience in our industry will serve the company well and his style of management should work well with our employees. I wish him the best."

NHCN photo 1985

John Markley

Markley was not available for comment, and officials from Pay 'N Pak declined to comment beyond Heerensperger's statement.

(Continued on page 216)

Looking to the '90s . . .

Retailers lay down the law: no bar code, no shelf space

By Tim O'Malley

NATIONAL REPORT — The home center industry, still lagging behind others in automated inventory and point-of-sale management, is finally laying the groundwork for widespread application of bar coding.

And that groundwork is sure to give more punch to the vow by many retailers that they will drop suppliers whose products don't have bar codes.

"Letters have been sent to all our vendors," said Bob Berman, vp-operations for the 134-unit Builders Square. "We want bar codes and there's really no getting around it."

This month, the American Hardware Manufacturers Association (AHMA) issued the industry's first recommendations on bar coding hardlines—a 50-page book detailing everything from bar coding basics to options in printing Uniform Product Code (UPC) stickers.

"This is what the industry has been waiting for," proclaimed William Farrell, president of the 1,000-member AHMA. "We're a little late, but the important thing is we got it done."

Expected to follow with guidelines of its own in September is the National Forest Products Association (NFPA), which claims that many large lumber producers will be

(Continued on page 220)

Channel sounds retreat from Long Island; looks to sell stores in competitive market

By Tom Bagsarian

WHIPPANY, N.J. — Channel Home Centers was negotiating in late July to sell some, and possibly all, of its 13 stores on Long Island, N.Y., to Marshalls Inc., an off-price retail chain.

A spokeswoman at Marshalls, based in Woburn, Mass., confirmed that negotiations between the two companies had been taking place, though she declined further comment. Channel operates eight stores in Nassau County and five in Suffolk County.

Closings in Texas

This pending deal coincides with the closing of at least four of Channel's Handy Dan stores in Dallas and three in Austin, Texas. Sources in that state told *NHCN* that newspapers in those two cities ran ads announcing the July 31 closings. The same ads stated merchandise would be sold at 20 percent off.

Officials at two of Handy Dan's Texas competitors told *NHCN* late last month that merchandise at the four least-productive Dallas stores was being transported to the remaining three, which were apparently staying open.

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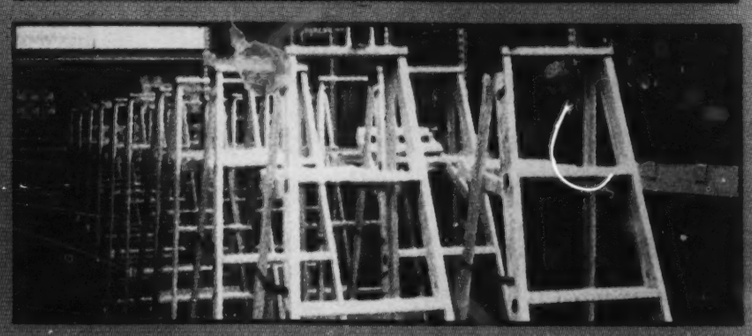

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INDUSTRY UPDATE

Denny to start warehouse chain

SAN ANTONIO, Texas — Frank Denny, the former Builders Square chairman, wants to raise money to start up a new warehouse home center chain, and is teaming with former HomeClub president Sean Lee in this effort.

A prospectus for the new company was scheduled to be issued in the first or second week of August, with a fall opening of its first stores planned. But the location of these units remains in question; Denny has a noncompete clause with K mart, which operates 141 Builders Square units in virtually every major and most prime secondary markets in 28 states. Roger Davis, an attorney with K mart, wouldn't specify the extent of this clause. Denny did not return phone calls left with his San Antonio, Texas, office.

G-P settles strike at five mills

ATLANTA — Georgia Pacific settled a strike at five of its Mississippi and Arkansas plywood mills.

An estimated 2,000 union employees were back at work July 17 following the week-long walkout over contract differences. A spokeswoman for Georgia Pacific said union members agreed to a four-year pact with a 3 percent annual pay increase but relinquished overtime pay for Sundays. Mills returned to full production, the spokeswoman said.

National prices for plywood and oriented strand board were unaffected by the settlement. Plywood composite prices dropped $18 per thousand square feet to $258 (mill price). Oriented strand board stayed high at $200 per thousand square feet.

Stambaugh's avoids Columbus

HEATH, Ohio — Stambaugh-Thompson opened its newest store here about 30 miles east of Columbus, Ohio, on July 29.

"We don't have a death wish," explained company president Phil Thompson regarding why the company's 21st store is opening in this city of about 7,500 people and not in the much larger market just to the west. "Columbus is pretty well saturated."

The new 40,000-square-foot location is a little smaller than the average Stambaugh's, since it occupies a building that had been a former Heck's Department Store, Thompson said.

Ex-Wickes Lumber ceo honored

EUGENE, Ore. — Les Hagen, former right end for the University of Oregon Ducks, will be inducted into the Oregon Sports Hall of Fame.

Hagen, 63, better known as the former chairman, president and ceo of the $1.2 billion Wickes Lumber chain, was a member of the 1948 Ducks football team that defeated Southern Methodist University in the Cotton Bowl in 1949. The entire 1948 team was to be honored Aug. 12.

Yardbirds to open 2 N. Calif. units

PETALUMA, Calif. — Yardbirds, the six-unit DIY chain based here, has scheduled two northern California store openings early next year.

In January the retailer will open a 40,000-square-foot store in Rohnert Park and a 50,000-square-foot unit in Vacaville, according to John Headley, Yardbirds' president.

Headley said within two years Yardbirds will move its office and distribution center from Petaluma to the 8.2-acre Rohnert Park site, which formerly was a BMC West lumberyard.

Idaho-headquartered BMC West shuttered the facility in late May and moved its operations to Healdsburg, where the contractor-oriented chain already operates a truss manufacturing plant.

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Schaffer, former Diamond exec, now ceo of Erb Lumber

By an NHCN staff editor

BIRMINGHAM, Mich. — Jim Schaffer has been named president of Erb Lumber, and will assume the title relinquished by current chairman and ceo Fred Erb.

Erb confirmed Schaffer's hiring on Aug. 2, which followed an informal search. As president and coo of the Michigan-based company, Erb said Schaffer would be responsible for the day-to-day operations with the chain's operations personnel reporting to him.

"I'm at an age where I want someone to come in and take over," said the 66-year-old Erb. His son, John, is the chain's vp-retail operations.

Courtesy Diamond Lumber

James Schaffer

Until his new appointment, Schaffer, 43, was executive vp-marketing and operations for Diamond Lumber in Dallas. Diamond, a contractor-oriented, 62-unit chain with 1988 sales of $273 million, has trimmed a number of executives in the last 30 days to cut corporate overhead (*NHCN*, July 31).

Erb said Schaffer's name came to him because of the changes at Diamond. Schaffer, contacted in Dallas, said his position at Diamond "was secure, yet there are a lot of changes at Diamond."

(Continued on page 215)

Builderama names new head

By an NHCN staff editor

SAVANNAH, Ga. — Don Whipple was named the new president-elect of Builderama Aug. 1, and will succeed the current president, Don Kole, when the 59-year-old executive retires between now and January 1990, Kole said.

Whipple, 54, joins the 10-unit company from Channel's Handy Dan division, where he was vice president and general merchandise manager. Whipple had been with Handy Dan since 1976. He could not be reached for comment.

"One of the reasons [for the transition period] was for Whipple to take a look at where the company is and where it could grow," said Kole.

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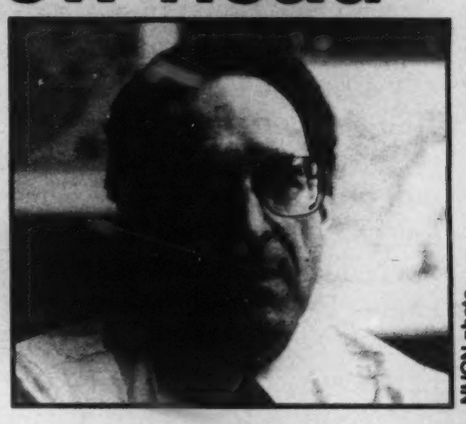

NHCN photo

Don Kole

Rickel retains consultant team to devise plan against new rivals

By an NHCN staff editor

SOUTH PLAINFIELD, N.J. — A month after its chief executive officer resigned, the 51-store Rickel Home Centers has brought in a team of consultants, presumably to develop an action plan to compete against new dealers entering the Northeast such as the Home Depot and Builders Square.

Sources familiar with the chain told *NHCN* that the team is headed by Moshe Meidar, a strategic analyst of some repute in the corporate community. Also included are former Builders Emporium ceo Jack Edwards, and Robert Whitman, who until last month was vp-merchandising at Somerville Lumber, based in Waltham, Mass.

In addition, Will Vachon is said to have completed a 10-day assignment as part of the team. Vachon resigned June 6 as senior vp and general manager for Pergament, the Melville, N.Y.-based chain with 40 stores.

Vachon also spent 31 years at Rickel, stepping down in 1987 as executive vp after reportedly being excluded from the management team that took the chain and its parent,

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Business Watch

Section 4

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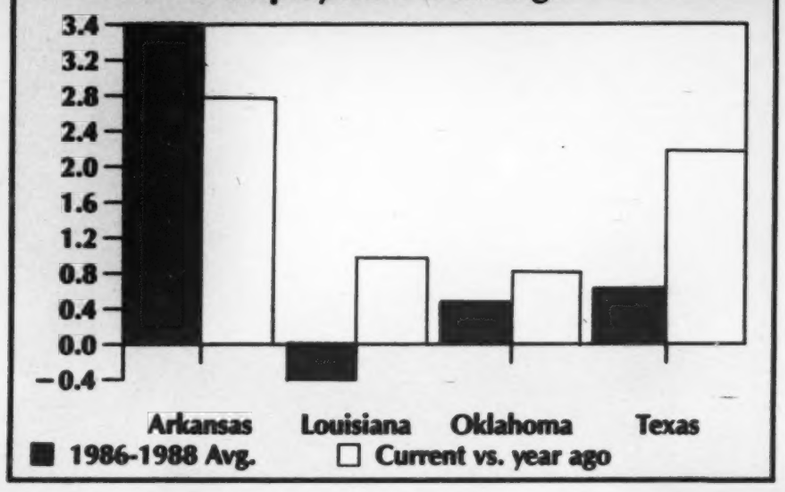

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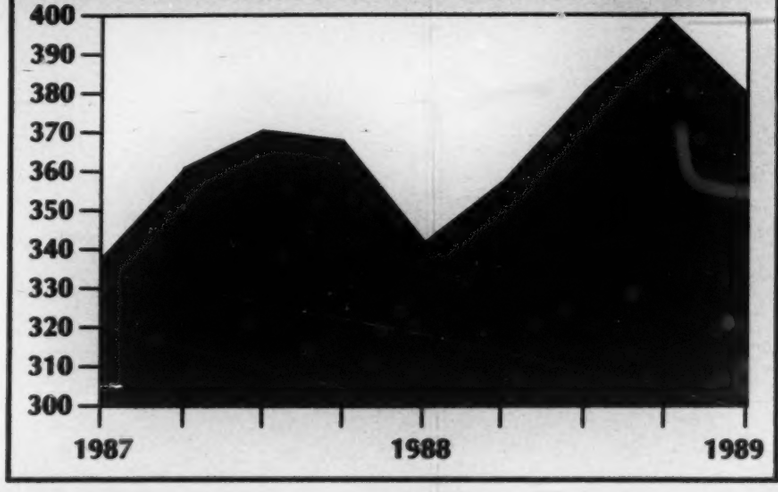

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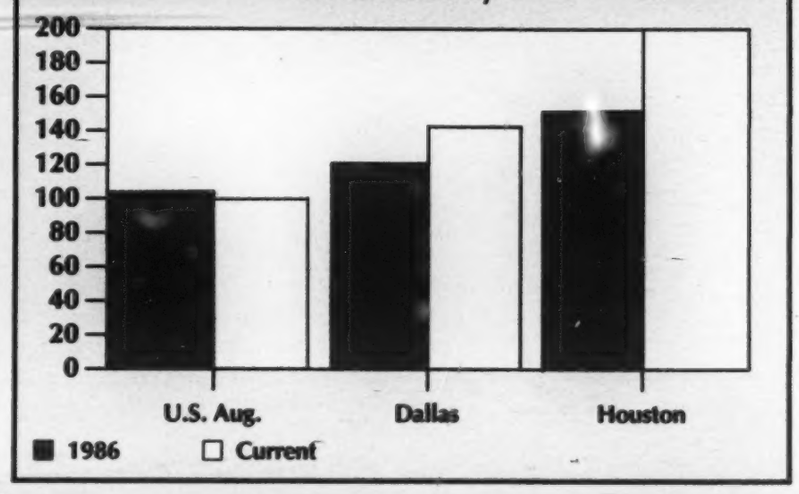
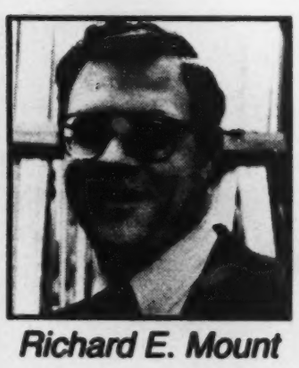


West South Central states emerge from localized recession

By Richard Mount
Special to NHCN

Building material sales in the West South Central states are advancing at a faster pace than the national average in the first half of 1989. This year we expect sales in this region to increase at least 5.7 percent, and for the nation 5.2 percent.

During the first quarter of 1989, sales were up 12 percent from a year ago; nationally, the increase was only 8.4 percent. Adjusting this year's increase for the expected rise in inflation, regional sales in unit volume should be up 1.5 percent.



Richard E. Mount

The region is now emerging from a localized recession brought on by the drop in energy prices, and the recovery in the West South Central states should be stronger than the national rate of growth. While energy prices are still low, the region is stabilizing and demand is strong. For building materials retailers here, sales gains should be stronger than the national average this year and next.

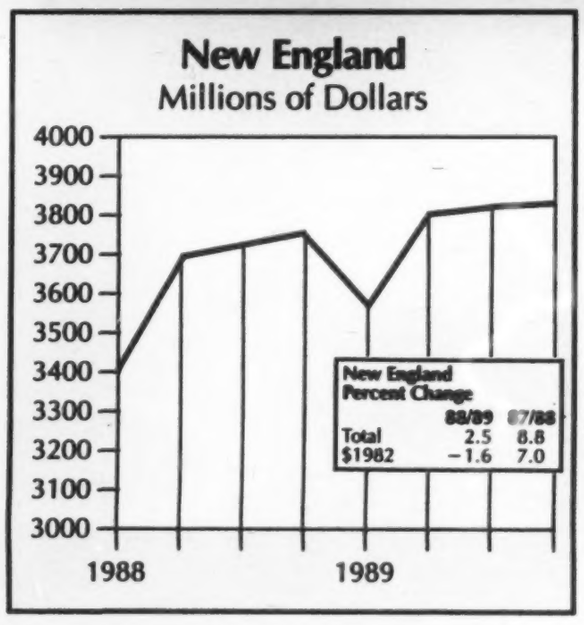
Strength in building material sales is growing from gains in employment—up 1.9 percent from last year—and higher levels of resales. First quarter resales were up 11.5 percent from a year ago. This strength is also reflected in the region's total retail sales.

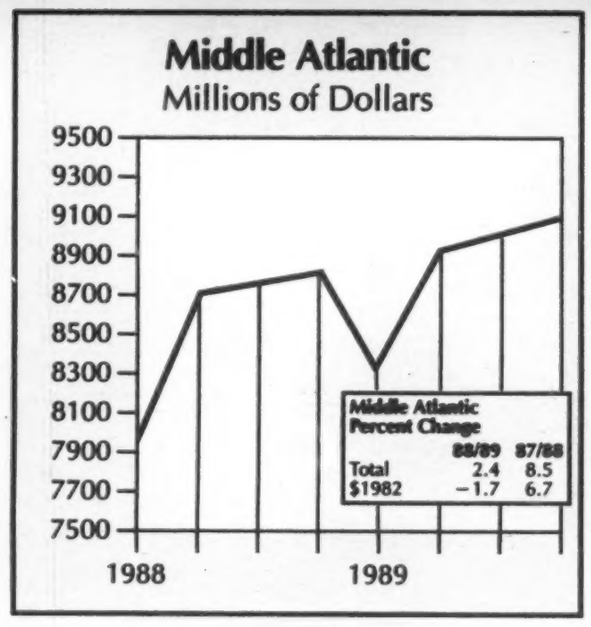
Arkansas is enjoying a 2.8 percent rise in employment, the fastest in the region. This state has the least energy dependency and has weathered the oilpatch crisis better than its neighbors. Texas is the second in terms of employment growth—currently up 2.1 percent from a year ago. While construction employment remains soft, there is strength in services and government.

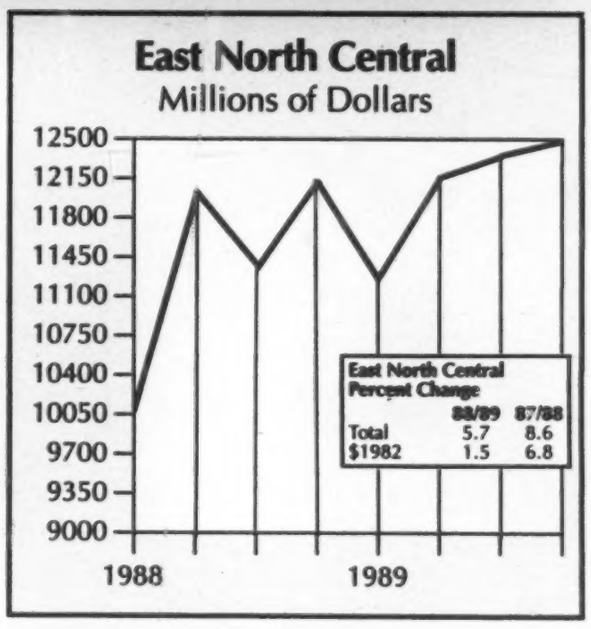
Oklahoma is enduring the slowest employment growth in the region, up only 0.7 percent from a year ago, with Louisiana running a close second weakest at 1 percent growth.

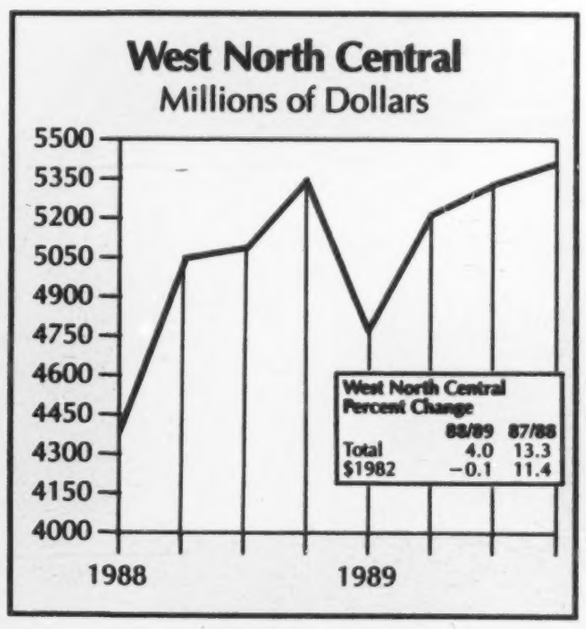
Richard Mount is president and chief economist with Mount Economic Consulting.

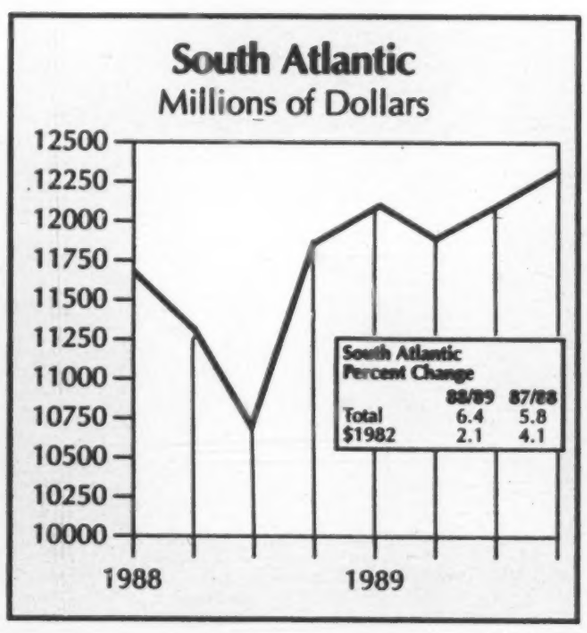
Regional Outlook: Building Material Sales

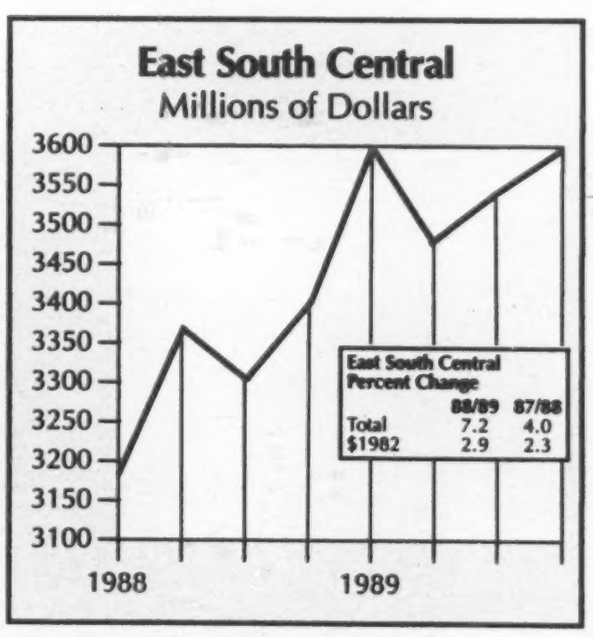


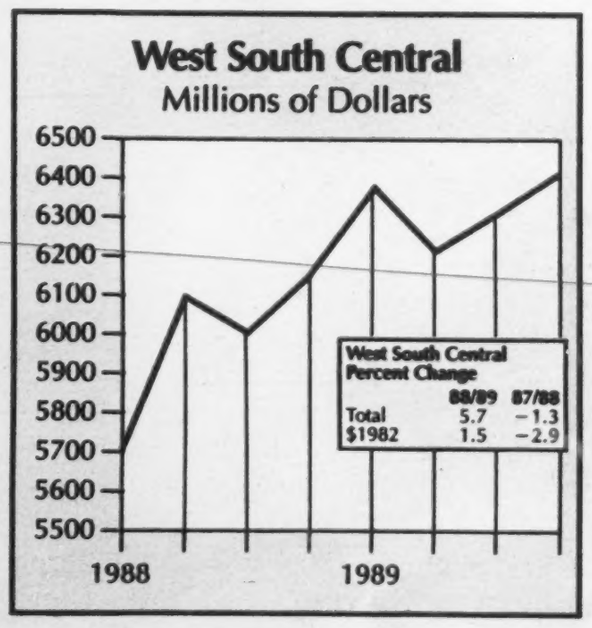


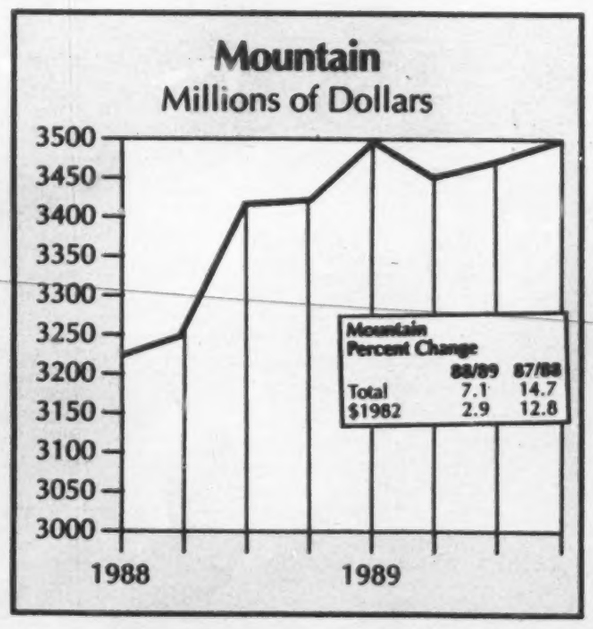


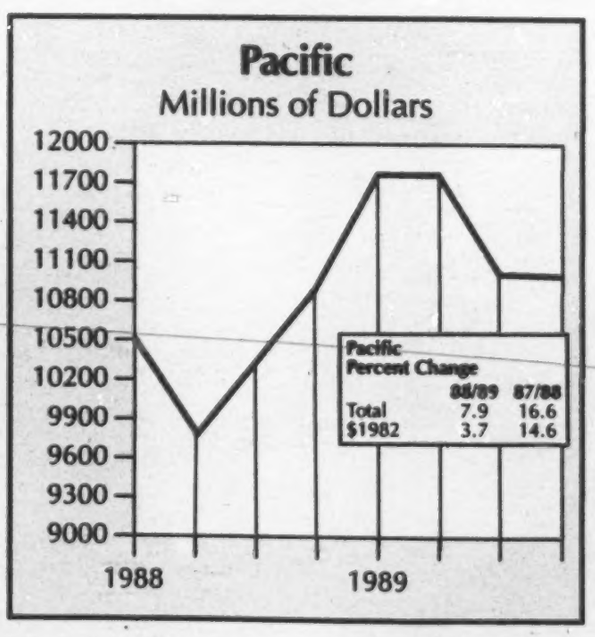












Data: Dept. of Commerce
Bureau of Labor Statistics
National Association of Realtors
Dept. of Housing and Urban Development

The Home Center Industry Outlook runs in two parts, one each month. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material and supply store sales.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart

Business Watch

stocks

B&D's first quarter results link higher sales with income loss

By an NHCN staff editor

TOWSON, Md. — Black & Decker's first quarterly results since its acquisition of Emhart have produced a mixed bag, with significantly higher sales coupled with a $5.2 million income loss.

Sales for the third quarter ending June 25 reached $854.7 million, a 58 percent increase over the $539.3 million for the same period last year, including the effects of the acquisition. Acquired Emhart sales accounted for 52 percent of the increase while sales for the existing B&D businesses rose 6 percent.

Nine-month sales rose 23.5 percent compared to the same period last year, from $1.7 billion to $2.1 billion. Excluding Emhart, B&D sales increased 9 percent for the same period.

B&D posted a $5.2 million loss in net earnings, or nine cents per share, for the third quarter. That compares to net earnings of $21.4 million, or 36 cents per share, for the same period last year. For the nine months, earnings stood at $1 per share, 20 percent lower than the $1.25 of a year earlier.

The corporation attributes the quarterly earnings loss to the "increased interest expense for the months of May and June and certain other expenses and tax effects attributable to the acquisition of Emhart in April."

"Although the retail environment is more challenging than at the beginning of the year, new products are making an important contribution to our sales momentum," said Nolan Archibald, B&D president and ceo, in a prepared statement.

Double-digit sales increases in power tools more than offset relatively flat sales in the company's household and outdoor products, Archibald added.

Retailer stock prices plummet

Manufacturers' common stock fared better than most retailers' during the two weeks ended July 28.

The stock prices for 20 publicly held suppliers were up in this period, with 6 declining and 5 remaining flat. In contrast, 8 retail stocks fell in price, with only 5 rising and one staying the same. The two wholesaler stocks tracked for *NHCN* by Media General were both off from the previous two weeks.

Even the gainers, though, saw modest percentage increases. Among manufacturers, Georgia-Pacific led the pack with a nearly 14 percent price jump to $52 per share. Black & Decker, which just reported a $5 million loss for the quarter ended June 25 *(see other story)*, also had a 14 percent gain to $23.50 per share.

On the downside, Armstrong Industries, which reportedly is a takeover target, lost $1.50 per share during this period to around $50.

Retailers' stock prices drooped. National Lumber's declined nearly 16 percent to $2.25 per share, and the Strober Organization fell by 75 cents to $5.75. Grossman's, despite a 23 percent increase in first half net income to $3.2 million and a 5 percent gain in sales to $563 million, saw its stock price decline 13 percent to $8.25 per share. The biggest winner was Wolohan Lumber, whose stock improved modestly by 5 percent.

HOME CENTER MARKET SUMMARY

National Home Center News

Covering The Period 07/14/89 - 07/28/89

Company (Exchange)	Symbol	STOCK PRICE High	Low	Close	Change Amt	Change Pct	52-Week High	52-Week Low	VOLUME Total Volume This Period (100)	% Shrs. Outstanding %	Average Daily Vol. Last 52 Week (100)	Average Daily Vol. This Period (100)	EARNINGS/SHARE Last Fiscal Year $	Latest 12 Months vs Preceding 12 Months Change Amt. $	Change Pct %	5-Year Annual Growth Rate %	Profit Margin %	P/E Latest P/E Ratio -	DIVIDENDS Indicated Dvd. Rate Amt. $	Yield %	Last X-Dvd. Date -	FINANCIAL POSITION Last Fiscal Year Revenue $ Mil	Earnings $ Mil	Current Ratio -	Last Fiscal Year (Per Share) Long Term Debt $	Common Stock Equity $	Last Balance Sheet Date -
Retailers																											
Gen Bldg Prods (O)	GBLD	3.75	3.25	3.25	-.25	-7.14	5.88	2.75	199	.50	36	20	-.06	-.86	S -100.0	NC	-.3	NE	.00	.0	00-00-00	79.3	-.2	4.6	5.48	4.01	1188
Grossman's Inc (O)	GROS	8.25	7.50	7.50	-1.13	-13.04	9.75	4.88	33,271	12.74	1,984	3,327	.50	.07	Q 14.0	NC	1.2	13.2	.00	.0	00-00-00	1141.6	13.2	1.8	6.15	3.88	1288
Hechinger A (O)	HECHA	18.25	17.88	18.13	.13	.69	19.50	15.88	9,276	4.53	1,037	928	NA	NA	NA	NA	NA	NA	.16	.9	07-31-89	NA	NA	NA	NA	NA	NA
Hechinger B (O)	HECHB	18.00	17.63	17.75	-.13	-.70	19.50	15.50	417	.28	69	42	1.30	.10	Q 8.5	16	4.8	14.0	.06	.3	07-31-89	1019.4	48.8	3.9	4.95	10.14	0189
Home Depot (N)	HD	31.13	27.13	30.25	2.88	10.50	31.13	15.25	13,582	1.82	2,231	1,358	1.00	.27	Q 33.3	45	3.8	28.0	.12	.4	07-11-89	1999.5	76.8	1.7	1.45	5.16	0189
K mart Cp (N)	KM	41.00	37.25	40.50	2.75	7.28	41.00	31.25	87,614	4.40	6,178	8,761	4.00	.44	Q 12.8	13	2.9	10.5	1.64	4.0	08-11-89	27301.0	803.0	2.0	14.78	25.13	0189
Lowe's Cos (N)	LOW	26.13	25.00	26.00	-.13	-.48	27.25	18.75	4,497	1.21	589	450	1.83	.23	Q 14.4	3	2.7	14.2	.48	1.8	07-10-89	2516.9	89.2	2.4	4.73	14.79	0188
NHD Stores (O)	NHDI	9.00	8.50	8.75	-.25	-2.78	9.50	5.25	421	3.23	27	42	.79	.21	Q 38.9	12	1.9	11.7	.00	.0	09-16-86	51.4	1.0	2.1	4.07	7.14	0189
Natl Lumber (O)	NTLB	2.25	1.88	2.00	-.38	-15.79	3.25	1.75	702	1.25	40	70	-.82	-1.07	Q NC	NC	-3.0	NE	.00	.0	00-00-00	152.0	-4.6	1.2	.21	2.86	0189
Scotty's Inc (N)	SHB	16.63	16.00	16.00	.00	.00	16.63	10.50	150	.10	258	15	.76	-.50	N -63.3	-21	2.0	55.2	.52	3.3	07-06-89	550.8	11.1	2.1	3.58	12.20	0688
Sears, Roebuck (N)	S	46.63	44.88	46.00	.75	1.66	48.13	34.75	60,586	1.64	8,856	6,059	2.40	-1.44	Q -35.4	-6	1.8	17.5	2.00	4.3	05-26-89	50[illegible].8	909.5	.0	26.15	37.75	1288
Std Brd Pnt (N)	SBP	17.38	16.63	17.00	-.25	-1.45	19.38	11.75	1,877	3.28	365	188	.57	-2.27	N -100.0	NC	2.1	NE	.00	.0	08-11-87	305.5	6.5	2.9	16.51	4.04	0188
Strober Organiz (O)	STRB	5.75	4.75	4.75	-.75	-13.64	11.00	4.75	489	.80	55	49	.64	-.18	Q -23.7	13	2.8	8.2	.00	.0	00-00-00	140.4	3.9	1.7	1.09	4.93	1288
Wolohan Lumber (O)	WLHN	18.75	17.25	18.13	.88	5.07	27.00	14.25	693	1.18	199	69	1.92	.26	S 15.2	45	4.3	9.2	.28	1.5	05-25-89	257.8	11.2	2.6	4.79	9.02	1288
Wholesalers																											
Hughes Supply (N)	HUG	21.38	19.50	19.75	-1.50	-7.06	21.88	16.50	678	1.39	53	68	1.99	.06	Q 4.2	10	1.9	10.0	.36	1.8	07-31-89	501.9	9.7	3.0	15.72	18.88	0189
Moore-Handley (O)	MHCO	4.13	3.75	3.75	-.25	-6.25	4.75	3.75	686	2.95	14	69	-.17	-.13	Q NE	NC	-.5	NE	.20	5.3	10-03-88	99.7	-.5	2.0	3.18	5.98	1288
Manufacturers																											
Am Consum Prods (O)	ACPI	8.75	8.75	8.75	.00	.00	12.25	8.75	0	.00	13	0	.70	.01	Q 1.4	NC	2.3	12.3	.00	.0	06-08-88	78.6	1.8	4.3	7.33	5.40	1288
Am Woodmark (O)	AMWD	13.63	13.13	13.63	.38	2.83	13.63	8.88	1,320	1.75	54	132	.70	.11	N 14.1	NC	4.1	15.3	.00	.0	05-24-88	129.5	5.3	1.9	4.00	4.41	0488
Armstrng Wrld (N)	ACK	49.63	46.50	47.50	-1.50	-3.06	50.88	31.75	22,945	4.96	1,976	2,295	3.51	.13	Q 3.9	20	6.1	13.6	1.06	2.2	05-01-89	2680.3	162.7	1.2	4.02	21.73	1288
Black & Decker (N)	BDK	23.50	20.00	23.25	2.88	14.11	25.25	18.13	32,561	5.51	2,560	3,256	1.65	.55	S 42.3	7	4.3	12.6	.40	1.7	09-01-89	2280.9	97.1	1.7	4.73	12.38	0988
Boise Cascade (N)	BCC	45.13	43.50	45.13	1.13	2.56	46.50	39.25	16,075	3.60	1,462	1,608	6.34	1.42	S 26.9	40	7.1	6.7	1.40	3.1	09-11-89	4094.6	289.1	1.3	20.59	37.34	1288
Catalina Lghtg (A)	LTG	14.13	12.38	13.63	1.13	9.00	15.25	5.25	1,688	4.59	173	189	.41	.27	S 100.0	NC	4.1	25.2	.00	.0	00-00-00	26.9	1.1	1.6	.06	1.52	0588
Champ Intl (N)	CHA	34.63	32.25	34.00	.25	.74	35.13	29.50	32,126	3.37	2,981	3,213	4.80	.89	S 22.0	NC	8.9	6.9	1.10	3.2	06-12-89	5128.5	456.4	1.4	20.00	35.05	1288
Clairson Intl (O)	CLIC	7.50	7.19	7.50	.31	4.35	7.50	2.75	1,514	2.98	208	151	.55	-1.03	N -100.0	NC	3.3	NE	.00	.0	00-00-00	82.0	2.7	1.8	3.54	3.89	0987
Cooper Indus (N)	CBE	33.50	31.25	31.88	-.88	-2.67	34.25	25.06	22,148	2.17	2,064	2,215	2.21	.48	Q 27.0	22	5.3	14.1	1.00	3.1	05-01-89	4258.3	224.4	1.7	11.54	17.47	1288
DeSoto Inc (N)	DSO	38.75	37.00	37.38	-.75	-1.97	52.50	29.75	1,371	3.42	383	137	.79	-2.16	S -100.0	NC	.8	NE	1.40	3.7	03-21-89	402.5	3.2	1.8	12.33	24.29	1288
Georgia Pacific (N)	GP	52.00	45.50	52.00	6.38	13.97	52.00	33.25	25,022	2.64	2,366	2,502	4.76	1.70	S 38.7	44	4.9	8.5	1.40	2.7	05-15-89	9509.0	467.0	1.9	26.51	27.79	1288
La Pacific (N)	LPX	37.38	35.38	37.00	1.88	5.34	37.38	26.00	9,156	2.46	903	916	4.02	-.05	S -1.2	41	8.5	9.0	1.00	2.7	05-12-89	1739.4	153.6	3.3	9.92	30.51	1288
Macmillan Bloedel (O)	MMBLF	15.63	15.00	15.63	.50	3.31	17.25	13.88	1,470	.14	545	147	2.58	.21	Q 9.3	NC	10.1	6.4	.80	5.1	02-13-89	2743.8	276.4	.0	.00	.00	0000
Manville Cp (N)	MVL	7.88	7.50	7.63	.00	.00	8.88	6.38	4,520	1.88	NC	452	NA	NA	NA	NA	NA	NA	.00	.0	00-00-00	NA	NA	NA	NA	NA	NA
Masco Corp (N)	MAS	30.50	28.63	29.88	.00	.00	31.13	23.63	31,514	2.30	2,932	3,151	2.10	.17	Q 9.3	17	11.8	14.9	.52	1.7	07-17-89	2438.6	288.3	3.0	7.30	11.30	1288
Mor-Flo Inds (O)	MORF	6.50	6.00	6.00	.00	.00	7.75	4.50	7	.03	20	1	-1.11	.45	Q NE	NC	-1.3	NE	.01	.2	12-09-88	218.0	-2.8	1.8	12.85	14.08	1288
Newell Co (N)	NWL	44.38	39.13	44.00	4.25	10.69	44.38	21.13	5,117	1.74	536	512	2.18	.96	S 61.9	24	6.2	17.5	.75	1.7	05-16-89	988.2	61.4	1.7	6.56	11.19	1288
Nortek Inc (N)	NTK	9.13	8.38	8.63	.25	2.99	10.38	6.38	2,139	1.45	378	214	.90	1.28	Q NE	NC		20.5	.10	1.2	06-30-89	1224.2	13.2	2.9	38.65	16.34	1288
Owens Corn (N)	OCF	34.50	30.38	34.25	1.50	4.58	34.50	19.50	15,532	3.87	1,203	1,553	4.71	4.88	S NC	NC	7.0	7.0	.00	.0	00-00-00	2831.0	197.0	1.2	32.73	-15.18	1288
Ply-Gem (A)	PGI	13.38	12.38	13.13	.25	1.94	15.00	11.38	2,569	2.40	215	257	1.41	.15	S 16.5	13	4.1	12.4	.12	.9	06-15-89	383.7	15.9	4.0	7.71	9.37	1288
Pope & Talbot (N)	POP	27.00	25.13	27.00	2.00	8.00	27.00	16.13	4,698	3.98	242	470	2.68	.77	S 31.8	NC	6.2	8.5	.60	2.2	07-25-89	515.0	31.9	1.9	6.24	13.05	1288
Potlatch Cp (N)	PCH	35.50	34.00	35.50	.50	1.43	38.00	29.00	2,797	.97	356	280	4.04	.87	S 24.6	33	10.4	8.1	1.04	2.9	08-10-89	1084.1	112.4	2.4	13.66	24.97	1288
PPG Inds (N)	PPG	45.25	42.88	45.00	.25	.56	46.00	36.25	15,999	1.38	1,633	1,600	4.26	.35	S 9.0	17	8.3	10.6	1.52	3.4	08-04-89	5638.7	467.6	1.5	8.00	20.48	1288
Rep Gypsum (N)	RGC	5.75	5.00	5.38	-.13	-2.27	6.38	4.25	1,174	1.16	65	117	.20	.03	N 14.3	-22	3.8	22.4	.20	3.7	05-24-89	52.1	2.0	3.4	1.09	3.16	0688
Sherwin-Wms (N)	SHW	32.75	30.88	32.50	1.38	4.42	32.75	24.88	10,610	2.47	1,078	1,061	2.30	.09	S 3.9	13	5.2	13.6	.70	2.2	08-21-89	1950.5	101.1	2.0	3.01	13.97	1288
Stanley Works (N)	SWK	37.13	34.63	36.50	1.25	3.55	37.13	24.00	8,261	1.93	958	826	2.40	.40	S 18.3	10	5.4	14.1	.96	2.6	06-06-89	1909.0	103.5	2.7	7.93	16.31	1289
Thos Inds (N)	TII	19.50	18.75	19.25	.38	1.99	23.31	16.13	685	.67	108	69	1.62	.02	S 1.2	5	5.1	11.4	.72	3.7	08-28-89	347.6	17.7	2.7	.00	12.25	1289
Union Camp (N)	UCC	37.63	36.75	37.25	.00	.00	38.63	31.00	13,592	1.93	1,597	1,359	4.25	.97	S 26.9	19	11.1	8.2	1.48	4.0	08-28-89	2660.9	295.2	2.4	9.13	22.66	1288
USG (N)	USG	5.13	4.25	4.63	-.25	-5.13	7.75	4.25	13,889	2.57	1,839	1,389	2.38	-1.42	Q -46.1	NC	5.6	2.6	.00	.0	00-00-00	2248.0	125.5	1.0	44.18	-27.26	1288
Wausau Inds (N)	WAX	8.63	8.00	8.00	-.50	-5.88	12.00	7.00	660	.93	291	86	.71	.14	N 22.2	22	4.3	10.4	.10	1.3	06-26-89	152.4	6.6	2.6	3.63	2.27	0688
Weyerhaeuser (N)	WY	30.25	28.38	30.25	1.25	4.31	30.88	23.25	39,648	1.94	4,259	3,965	2.68	.41	S 16.7	27	5.6	10.6	1.20	4.0	07-24-89	10013.9	564.4	.0	16.55	19.86	1288

All Data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share
Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after extraordinary items. Earnings are before extraordinary items, when such items are applicable.

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

Retailers lay down the law: no bar code, no shelf space

(Continued from page 1)

bar coding by January. This, despite NFPA figures showing that only 15 percent of forest products are sold at retail.

"We will start to see a groundswell by the end of the year," said Dave Brewster, national product manager-distribution at Georgia-Pacific and the chairman of NFPA's subcommittee on bar coding.

Eagerly awaited by dealers

Meanwhile, the three known lumber suppliers currently bar coding—Boise Cascade, Plum Creek Lumber and Hancock Lumber—report positive feedback from retailers that carry their products, despite the limited offering.

Canadian Tire, North America's largest hardlines retailer, is currently testing UPC scanners in two of its Toronto stores, and expects to have nearly three quarters of its 18,000 private-labeled skus UPC-stickered by spring, according to Bryan Hutton, senior director of retail planning for the 410-unit company.

Several American home centers are also investing in equipment and product labeling. Two U.S. warehouse chains, The Home Depot and Builders Square, have each completed successful point-of-sale pilot programs. Berman said four more Builders Square stores will have UPC capabilities by year's end, and 70 by the close of 1990.

"Our efficiency has improved greatly," he said. "And not one person was laid off in the process."

Another supporter—Tom Righi, MIS manager at ServiStar, the Butler, Pa.-based co-op—believes the AHMA initiative will gain wide acceptance for bar coding.

"Until now, there has been no central organization to pick up the ball," said Righi. "Maybe now things will move fast."

About 500 of ServiStar's 3,700 dealer-members use the co-op's custom computer ordering system and Righi said UPC operations can be adapted to the system. ServiStar, which already has its own UPC customer number, is also optimistic it can improve efficiency at its five warehouses by setting up UPC systems.

Automated shipping abetted

The AHMA guidelines address what is regarded as the last frontier on bar coding in home centers: marking cartons with UPC stickers to allow for automated shipping, receiving and processing.

Bonney Stamper, a consultant who developed the guidelines, said that while 75 to 80 percent of hardware items on home center shelves already contain UPC markings, only 10 percent of those items enter retail stores in cartons that are labeled.

"Carton coding is more expensive," she said, saying it can run as high as five cents per carton. It is also more difficult because cartons usually contain an array of items.

As a result, AHMA recommends use of something called Uniform Code Council (UCC) 128. Designed for cartons that contain mixed goods, UCC 128 is widely used in the apparel industry. "This seems to be the preferred code," said Farrell. "It allows the widest use of the master carton."

But at least one manufacturer, Stanley Tools, has been using a code called Interleaved 2 of 5, designed for uniform goods. Stanley's manager of package development, Martin Fazio, said the company will study the issue and change over if necessary.

"We chose what we did before any guidelines were issued," he said. "Our preference is for the industry to have one standard."

Farrell, while stressing that the AHMA is merely offering a recommendation, also cautioned that vendors that fail to conform to the new guidelines may face losing their customer base.

Some items uncodable?

One unresolved question is what to do about products such as screws, nails and pipe fittings that, because of their size, can never be bar coded and thus scanned like others at the checkout counter.

Stamper said retailers will deal with this in a variety of ways, from punching in bar code or stockkeeping unit numbers culled from a chart with a picture of the item, to using a scanning device that can distinguish items themselves as well as codes.

She said the former system is now used by Builders Emporium, the Irvine, Calif.-based chain, and the latter is being looked at by the Atlanta-based Home Depot.

"I think this is an area where you'll see a lot of entrepreneurship," said Farrell, who added that "bar coding, like everything else, is not perfect."

Cost still a factor

Another problem that has not been completely resolved is how the cost of installing UPC stickers and the equipment that will scan them at retail will be defrayed.

"Sure, [UPC] can improve the accuracy of your operation," said Burt Stephenson, advertising manager for the six-unit Hacienda Home Centers in Albuquerque, N.M. "But it costs a lot of money for an operation like ours." Hacienda has no immediate plans to invest in checkout counter scanning equipment.

It's estimated that startup costs for applying code stickers to products can run up to $25,000 for suppliers. Ward Hitchings, director of construction specifications for the NFPA, said a variety of plans are being discussed, including one that has retailers and vendors picking up the tab together. "Somebody's going to pay for it," said Hitchings. "Maybe the customer."

Others, however, maintain that the savings to home centers on inventory control and improved accuracy will offset startup costs. Farrell's view is, "This is just going to be the cost of doing business."

Wood vendors nix ink stamp

Meanwhile, Brewster said the NFPA has ruled out the use of ink jet UPC stamps on lumber. On treated lumber, he said, it will recommend using plastic tags applied with a staple, while on plywood and studs the nod will go to adhesive tags.

Adhesive was used by Hancock Lumber when it shipped 24,000 board feet of shelving to the 40-unit Pergament in late spring. Bob Bisom, vp-management information systems for Pergament, said the product was well received.

"It's been fine for us," he said. "No problems whatsoever."

Hancock's vp-merchandising, Jim Outram, said the company has been deluged with requests for the bar-coded shelving. Another batch is almost ready to be shipped.

"It has gained us market share and generated an awful lot of interest," he said.

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Former Pergament exec becomes coo of specialty home decor chain

By an NHCN staff editor

MELVILLE, N.Y. — Martin Pepkin, a senior vp and general manager for Pergament Home Centers here, is now the chief operating officer of Martin Home Decorating Centers, a 52-unit specialty chain based in Jamaica, N.Y.

He replaces Jerome Shier, who had retired.

Pepkin, 57, resigned from the 40-unit Pergament July 10. He had been with that chain for 29 years.

In his career there, Pepkin was instrumental in developing many of Pergament's merchandising departments, taking a particular interest in home decor and, specifically, wallcoverings, which until recently he bought for its stores.

He generally was the chain's main representative at trade shows, and he was spotted last January doing reconnaissance work for Pergament at Home Depot's new store in East Hanover, N.J.

Martin Pepkin

His departure, which he and knowledgeable sources said was voluntary, came only four weeks after senior vp and general manager Will Vachon left Pergament after a year's tenure.

Following a change in ownership at the chain in February, operational responsibilities had been divided between the two men, with district managers and stores reporting to Vachon, and Pepkin handling store setup, development and distribution. Vachon was replaced by divisional merchandise manager Bruce Falk.

"The job realignment wasn't to my liking because it took me away from my first love—merchandising," said Pepkin. When asked how much of Pepkin's time would be devoted to merchandising, Martin's president, Robert Glick, said, "100 percent. We're looking forward to a very bright future with him."

Michael Lurie, Pergament's executive vp, declined comment about Pepkin's leaving. Pepkin's replacement at Pergament could not be ascertained.

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Grossman's sells Moore's to British company—page 7

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Rural lumberyards injected with entrepreneurial blood

By Gary S. Ruderman

MINNEAPOLIS — It doesn't qualify as a trend. But in the upper Midwest there appears to be a slow revitalization of rural lumberyards that only a few years ago seemed on the verge of extinction.

As yards run by chains retreated from rural areas and old independents who could not survive the continuing depression went under, eager entrepreneurs with new ideas entered the fray. They've taken abandoned yards and have begun reopening them around the upper midwest.

"The numbers don't spell much of a resurgence, but there's a levelling off [of closings] and a minor resurgence in some markets," observed Gary Smith, executive director of the Northwestern Lumbermens Association in Minneapolis, responsible for monitoring yards in Iowa, Minnesota, and the Dakotas.

According to the association, three new yards have opened in Minnesota in the last year, halting a five-year decline.

More than one yard needed

Darwin Klabunde is one who dared to take on the market where others failed. Klabunde was working as a contractor salesman for a lumberyard 200 miles away from tiny Luverne, Minn., where in July he bought a 2,700-square-foot unit that was closed by United Building Centers three years ago.

"I saw a need for more than one yard to serve the community," said Klabunde after the August 7 opening of his new Rock County Lumber in this unit. "We'll go the extra mile for our customers with service," said his wife and partner Lois. Rock County will be competing primarily against the local Lampert Lumber.

These sentiments might seem naive, though, to dealers who have abandoned the market. Indeed, the reasons for yard closings in this part of the country were easier to figure than the reasons for reopenings.

"With the economy, lumberyards, hardware stores, auto dealers and the like all faced the same problem: there wasn't enough money to support more than one type of business in small communities," explained Harlan Hummell, executive vp of the National Lumber and Building Material Dealers Association

(Continued on page 49)

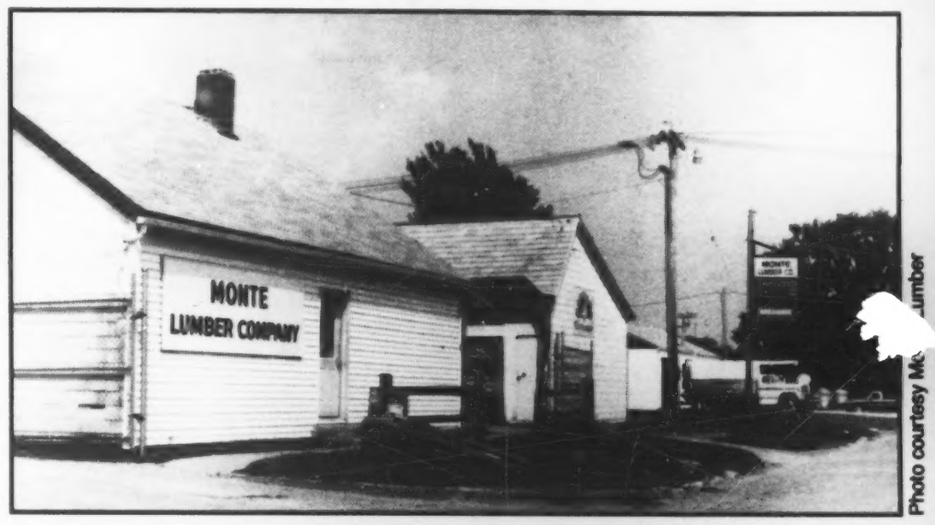

Photo courtesy Monte Lumber

The chart below shows that the number of independent yards in the rural Midwest continues to shrink. But young entrepreneurs are braving the odds and reopening shuttered units, and pursuing new business aggressively. Monte Lumber, a shuttered unit that was reopened by two local contractors, is one of those yards.

LUMBERYARDS in the Upper Midwest

	IOWA	MINN.	N.D.	S.D.
1983	656	726	216	236
1985	607	697	217	226
1987	496	627	188	210
1989 (YTD)	479	607	163	204

Source: Northwestern Lumbermen's Association, Minneapolis — *NHCN* chart

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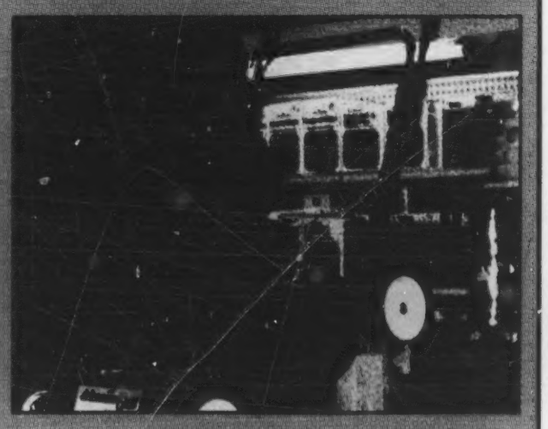


'No dump' bans could increase mulcher sales 31

Rickel names Robert Harrow president, formerly headed Grossman's eastern div.

By John Caulfield

SOUTH PLAINFIELD, N.J. — Robert Harrow, who until this March was president of the Eastern division of Grossman's Inc., has been named president of the 51 unit Rickel Home Centers here, a competitor of Grossman's in a half dozen markets in the Northeast.

Rickel has also named Moshe I. Meidar as its chairman. Meidar, the president of Primacor, Inc., had previously been retained as a consultant by Rickel to help that chain devise an action plan to compete against new competitors moving into its market, including The Home Depot, Hechinger and Builders Square (*NHCN*, Aug. 14).

"Bob Harrow and Mo Meidar will be bringing new leadership to Rickel which will position the division for aggressive growth," said Ken Peskin chairman and ceo of Supermarkets General Corp., Rickel's parent, in a prepared statement.

NHCN photo

Robert Harrow

Harrow, a tall, soft-spoken, affable man who will be 61 years old on Sept. 3, is replacing Chuck Davis, who resigned from Rickel after 28 years with that chain.

"We've got to find and develop a more distinct identity for Rickel," said Harrow, in a telephone interview from his home in Newton, Mass. He nevertheless insisted that Rickel had "many strengths," including its appeal to female shoppers.

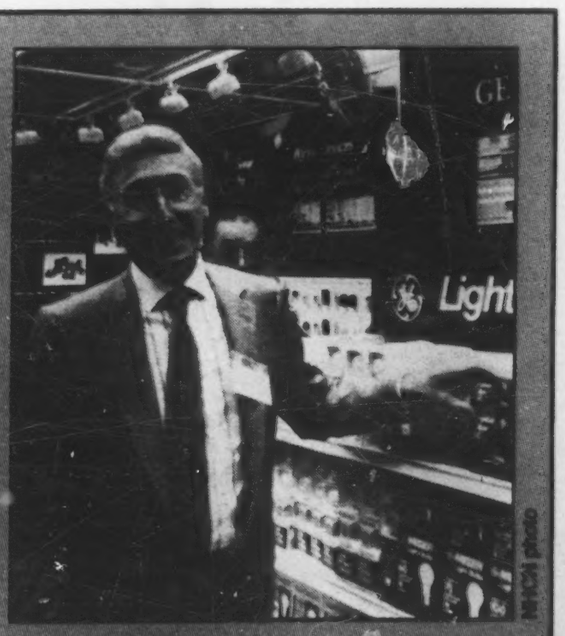
(Continued on page 49)

Special Hardware Show coverage—page 7

Hardware Industry Week

Bernie Marcus, the chairman of The Home Depot, looking over some of the products on display at The National Hardware convention held in Chicago earlier this month.

The show, attended by more than 78,000 people, found dealers and suppliers looking to hold onto each other tighter as the home improvement industry spins furiously with buyouts, takeovers and intense competition.



NHCN photo

INDUSTRY UPDATE

Ward White rejects new offer

LONDON — Ward White, the British parent of the Payless DIY chain, rejected a sweetened, though hostile, acquisition offer by The Boots Company, Britain's largest drug store chain.

Boots' latest offer, made Aug. 4 and said to be final, was boosted to the equivalent of around $7.30 per share, or $1.49 billion, compared to its initial bid, made one month earlier, of $6.50 per share, or $1.3 billion.

The drug company has also offered a stock swap to Ward White shareholders. For each share, they would receive a share of new Boots stock and around $2.40 per share in cash. Boots expects to issue 140 million new shares of stock if this were accepted. The offer was scheduled to close Aug. 22.

Ward White, according to *The Wall Street Journal*, said that it expected a higher offer from a rival bidder.

Home Depot Mass. debut slated

BOSTON — Home Depot will open its first store in the Massachusetts market in the town of Attleboro, Mass., in March of next year.

NHCN has learned from knowledgeable real estate sources that the unit is scheduled to be 117,180 square feet (including a garden center, which in a typical Home Depot is 10,600 to 15,000 square feet) on 11 acres of land.

Attleboro is about 25 miles southwest of Boston, and is actually much closer to Providence, R.I.

Home Depot is looking at several Boston-area locations, although vp-real estate Bill Harris declined through a secretary to reveal other area sites the company is either contemplating or has accepted.

Starrett income drops 8.8%

ATHOL, Mass. — L. S. Starrett, the tool and level supplier here, reported an 8.8 percent drop in quarterly net income for the period ended June 24. But its sales remained strong and the company's revenues and profits for the year were ahead of 1988.

For the latest three months reported, Starrett's sales increased 6 percent to $47,428,000. But net income declined to $3.6 million, or 56 cents per share.

Its fiscal year, though, showed better results. Sales grew by 8.5 percent to $184,317,000. And profits increased modestly by 3.2 percent to $16,359,000, or $2.36 per share.

Roger Wellington, Starrett's chief financial officer, told *NHCN* that the fourth quarter results were attributable in part to fiscal and monetary policies in Brazil, where Starrett gets around 15 percent of its business.

"Our sales held up pretty good there, but that country's been undergoing a recession, and there's been a price freeze since January," Wellington explained.

NHD Stores post 11% sales gain

STOUGHTON, Mass. — NHD Stores, the 33-unit chain based here, reported a more than 11 percent gain in sales for the quarter ended July 29.

Buoyed by a strong July, during which sales rose 20 percent to $5,014,000 and comparable store volume increased 16.2 percent, NHD's sales for the three months totaled $17 million, an increase totaling 11.6 percent. Comp-store volume for the quarter grew by 5.2 percent

Stanley/Bostitch completes buy

NEW BRITAIN, Conn. — Stanley Works here completed the purchase of The Parker Group, a fastening products manufacturer based in Northboro, Mass. The acquisition price was not disclosed.

The Parker subsidiary will be part of Stanley's Bostitch division, based in East Greenwich, R.I. The 400-employee company makes fasteners and other products in plants located in Northboro and Southbridge, Mass., and in West Greenwich, R.I.

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Amdura investor makes hostile bid; seeks to replace board

By Tim O'Malley

DENVER — Debt and erratic earnings over the past five years have made Amdura Corporation, the parent of CoastAmerica and Farwell, Ozmun & Kirk, vulnerable to a potential takeover by its largest stockholder.

New York City investor Frank Cilluffo, in an Aug. 17 filing with the Securities and Exchange Commission (SEC), said he would attempt to replace Amdura's seven-member board with a slate of directors that includes former Defense Secretary James R. Schlesinger and retired Army Gen. Edward C. Meyer. Schlesinger works for Shearson Lehman Hutton and Meyer is an investor in Cilluffo Associates.

A pension fund manager, Cilluffo has purchased progressively more of Amdura's stock over the last year, and now owns 18 percent in conjunction with Zenith Associates, an investment group. His buying spree drove the price of Amdura's stock from just over $9 a share in June 1988 to $14.25 at press time.

As stock analysts evaluate Cilluffo's move, Amdura's ceo Robert Nassau and other officials traveled from the corporate headquarters here to New York, presumably to meet with Cilluffo.

Cilluffo's intentions were clarified in an Aug. 10 SEC filing, where he revealed his displeasure with the current board of directors, accusing it of failing to "take into consideration the best interests of stockholders" by amassing debt to buy CoastAmerica.

When Amdura acquired Coast last fall, it made two loans—for $60 million and for $40 million—on top of an existing $100 million debt. The corporation retired the former loan in March by selling three companies, and is now considering a variety of options, including a stock offering, to retire the remaining loan.

(Continued on page 49)

Former Wickes Cos. vp picked to head Diamond Lumber parent

By Tim O'Malley

DALLAS — Bernard Kritzer, a one-time vp for the Wickes Cos., has been named interim chairman and ceo of the 62-unit Diamond Lumber Inc. and its parent, Michigan General Corporation.

As the corporation announced Kritzer's appointment, it also closed two Diamond yards—in South Portland, Maine, and Grotton, Conn.—and completed the sale of its other subsidiary, Savannah Wholesale Company. The latter netted $11 million.

Kritzer, lured out of retirement by Michigan General executives, said he plans to serve only until a permanent ceo is located and is "prepared to stay on as long as necessary—six or eight months."

Photo courtesy Wickes Cos.

Bernard Kritzer

He replaces Ralph Shapiro, who retired as ceo but will remain on Michigan General's board of directors. In that capacity, he will continue to head a search committee formed to find his permanent replacement.

Big job ahead of him

Kritzer was a vp at Daylin Corp. before his tenure at the Wickes Cos. from 1974 to 1986, and briefly ran Wickes' Builders Emporium chain. He enters the picture at a time when Diamond has been hurt by the national decline in housing starts. Eighty percent of the company's sales are from contractors.

He also comes in at a time when Diamond has undergone considerable management turnover. Executive vp-marketing and operations Jim

(Continued on page 52)

Refocused Weyerhaeuser looks to sell off nursery products cos.

By an NHCN staff editor

TACOMA, Wash. — Weyerhaeuser Co. is selling off its nursery products companies in a continuing effort to refocus on its core forest products business.

The sale, announced last month, includes Weyerhaeuser Garden Supply, the nation's largest wholesale distributor of lawn and garden supplies. Last year, Weyerhaeuser Garden Supply posted sales of $117.3 million.

According to Weyerhaeuser, it is the largest distributor of Ortho Chemical products in the nation. Garden Supply's largest customers are Builders Square, Ernst Home & Nursery, Wal-Mart and K mart.

The four garden supply companies owned by Weyerhaeuser had total sales of $279 million last year. Two other companies, Weyerhaeuser's Tissue Culture Center (horticultural research) in Florida and its Specialty Plants business, a preserved plant company, made up the rest of Weyerhaeuser's total $328 million in garden and nursery sales last year. Total garden and nursery sales for 1987 were $292 million.

Chemical Bank Investment Banking, New York, was retained to handle the sale of the division.

Not part of new strategy

While the garden supply businesses were profitable, well managed and on a strong growth track, Weyerhaeuser president John Creighton Jr. said they fell "outside our strategic focus for the 1990s." Over the past three months, the company has been selling assets outside of its core businesses that include land, timber, wood products and paper.

(Continued on page 50)

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Square D expands automation division with new acquisition

By an NHCN staff editor

PALATINE, Ill. — Square D, the electricals supplier here, has acquired Crisp Automation, a Dublin, Ohio-based designer of process controls and factory automation systems.

The company was purchased from Joy Technologies in Pittsburgh. Crisp Automation will operate as part of Square D's Automation Products division. The sale price of the acquisition was not disclosed.

The acquisition occurred simultaneous to Square D's reporting of its quarterly and six-month sales and earnings for the period ended June 30. For the latest three months, the company's revenue rose 11.5 percent to $454.4 million, while net income increased a modest 3.5 percent to $32.2 million, or $1.28 per share.

For the first half of its fiscal year, Square D's sales jumped 10.9 percent to $885.7 million. Earnings growth was slower, however, rising 2.2 percent to $59.8 million, or $2.37 per share.

In a prepared statement, company president Jerre Stead expressed satisfaction with his company's results, and noted that second quarter earnings benefited from an increase in operating margins to 13.1 percent from 12.2 percent a year earlier.

While international sales were strong, despite currency shifts, Square D also reported that its income levels were adversely affected by: a loss recorded by its copper foil joint venture in Japan; by a stock buyback program (average shares outstanding declined nearly 8 percent to 25.2 million during this period); and by "a higher effective tax rate."

Public cos. make strong showing

The two weeks ended Aug. 8 were particularly strong for public companies in the home improvement industry. Only 11 out of the 47 dealers, wholesalers and manufacturers tracked for *NHCN* by Media General showed declines in their stock prices. But there was little in the way of erratic movement, up or down, in most companies shares.

One of those was Wolohan Lumber, whose stock has generally been strong throughout the summer. Its price fell 63 cents to $17.50 per share. NHD Stores, the Massachusetts-based chain, lost the exact same amount from its stock price, which fell to $8.13.

However, gains were modest for the winners. Lowe's approached its 52-week high of $28 per share with its gain of $1.75 to $27.75. Home Depot, whose slower comp-store sales growth has made some analysts nervous lately, saw its stock jump $1.25 per share to $31.50.

There were greater price swings among manufacturers' stock. Cooper Industries increased $4.63 to $37.88 during the period. Georgia-Pacific also thrived, as its stock price improved by $3.38 to $55.38 per share.

Among those whose stock price fell was Masco Corp., which declined $1.50 to $28.38 per share. PPG Industries lost 88 cents to end the two weeks at $44.13.

National Home Center News HOME CENTER MARKET SUMMARY

Covering The Period 07/28/89 - 08/11/89

Company (Exchange)	Symbol	STOCK PRICE High	Low	Close	Change Amt	Change Pct	52-Week High	52-Week Low	VOLUME Total Volume This Period	% Shrs. Outstanding	Average Daily Vol. Last 52 Week	Average Daily Vol. This Period	EARNINGS/SHARE Last Fiscal Year	Latest 12 Months vs Preceding 12 Months Change Amt		Change Pct	5-Year Annual Growth Rate	Profit Margin	P/E Latest P/E Ratio	DIVIDENDS Indicated Dvd. Rate Amt.	Yield	Last X-Dvd. Date	FINANCIAL POSITION Last Fiscal Year Revenue	Earnings	Current Ratio	Last Fiscal Year (Per Share) Long Term Debt	Common Stock Equity	Last Balance Sheet Date
-	-	$	$	$	$	%	$	$	(100)	%	(100)	(100)	$	$		%	%	%	-	$	%	-	$ Mil	$ Mil	-	$	$	-
Retailers																												
Gen Bldg Prods (O)	GBLD	3.75	3.00	3.50	.25	7.69	5.75	2.75	1,857	4.67	42	186	-.06	-.86	S	-100.0	NC	-.3	NE	.00	.0	00-00-00	79.3	-.2	4.6	5.48	4.01	1188
Grossman's Inc (O)	GROS	8.13	7.13	7.88	.38	5.00	9.75	4.88	23,335	8.93	2,043	2,334	.50	-.02	S	-3.7	NC	1.2	15.1	.00	.0	00-00-00	1141.6	13.2	1.8	6.15	3.88	1288
Hechinger A (O)	HECHA	19.00	18.25	18.88	.75	4.14	19.50	15.88	8,782	4.29	1,027	878	NA	NA		NA	NA	NA	NA	.16	.8	07-31-89	NA	NA	NA	NA	NA	NA
Hechinger B (O)	HECHB	18.75	18.13	18.50	.75	4.23	19.50	15.50	561	.37	70	56	1.30	.10	Q	8.5	16	4.8	14.6	.06	.3	07-31-89	1019.4	48.8	3.9	4.95	10.14	0189
Home Depot (N)	HD	32.50	30.50	31.50	1.25	4.13	32.50	15.25	21,001	2.81	2,238	2,100	1.00	.27	Q	33.3	45	3.8	29.2	.12	.4	07-11-89	1999.5	76.8	1.7	1.45	5.16	0189
K mart Cp (N)	KM	42.25	39.75	40.63	.13	.31	42.25	31.25	81,036	4.07	6,368	8,104	4.00	.44	Q	12.8	13	2.9	10.5	1.64	4.0	08-11-89	27301.0	833.0	2.0	14.78	25.13	0189
Lowe's Cos (N)	LOW	28.00	26.00	27.75	1.75	6.73	28.00	18.75	7,968	2.15	595	797	1.83	.23	Q	14.4	3	2.7	15.2	.48	1.7	07-10-89	2516.9	69.2	2.0	5.12	15.80	0189
NHD Stores (O)	NHDI	8.75	8.00	8.13	-.63	-7.14	9.50	5.25	565	4.34	29	57	.79	.21	Q	38.9	12	1.9	10.8	.00	.0	09-16-86	51.4	1.0	2.1	4.07	7.14	0189
Natl Lumber (O)	NTLB	2.50	1.88	2.25	.25	12.50	3.00	1.75	611	1.08	42	61	-.82	-1.07	Q	NC	NC	-3.0	NE	.00	.0	00-00-00	152.0	-4.6	1.2	.21	2.86	0189
Scotty's Inc (N)	SHB	16.50	16.00	16.50	.50	3.13	16.63	10.50	259	.18	257	26	.76	-.50	N	-63.3	-21	2.0	56.9	.52	3.2	07-06-89	550.8	11.1	2.1	3.58	12.20	0688
Sears, Roebuck (N)	S	47.25	46.00	46.25	.25	.54	48.13	34.75	64,742	1.75	8,922	6,474	2.40	-1.44	Q	-35.4	-6	1.8	17.6	2.00	4.3	08-22-89	50407.8	909.5	.0	26.15	37.75	1288
Std Brd Pnt (N)	SBP	18.00	16.63	17.00	.00	.00	19.38	11.75	3,036	5.31	372	304	.57	-2.27	N	-100.0	NC	2.1	NE	.00	.0	08-11-87	305.5	6.5	2.9	16.51	4.04	0188
Strober Organiz (O)	STRB	5.25	4.63	5.00	.25	5.26	10.50	4.63	324	.53	55	32	.64	-.18	Q	-23.7	13	2.8	8.6	.00	.0	00-00-00	140.4	3.9	1.7	1.09	4.93	1288
Wolohan Lumber (O)	WLHN	18.38	17.25	17.50	-.63	-3.45	27.00	14.25	721	1.22	197	72	1.92	.26	S	15.2	45	4.3	8.9	.28	1.6	08-28-89	257.8	11.2	2.6	4.79	9.02	1288
Wholesalers																												
Hughes Supply (N)	HUG	19.88	19.00	19.50	-.25	-1.27	21.88	16.50	1,156	2.38	56	116	1.99	.08	Q	4.2	10	1.9	9.9	.36	1.8	07-31-89	501.9	9.7	3.0	15.72	18.88	0189
Moore-Handley (O)	MHCO	3.75	3.75	3.75	.00	.00	4.75	3.75	60	.26	13	6	-.17	-.20	S	NE	NC	-.5	NE	.20	5.3	10-03-88	99.7	-.5	2.0	3.18	5.98	1288
Manufacturers																												
Am Consum Prods (O)	ACPI	8.75	8.50	8.50	-.25	-2.86	11.50	8.50	39	.15	13	4	.70	.01	S	1.4	NC	2.3	11.6	.00	.0	06-08-88	78.6	1.8	4.3	7.33	5.40	1288
Am Woodmark (O)	AMWD	13.75	12.75	13.00	-.63	-4.59	13.75	9.00	385	.51	46	39	.70	.11	N	14.1	NC	4.1	14.6	.00	.0	05-24-88	129.5	5.3	1.9	4.00	4.41	0488
Armstrng Wrld (N)	ACK	49.50	46.25	49.25	1.75	3.68	50.88	31.75	24,724	5.34	2,003	2,472	3.51	.02	S	.6	18	6.1	14.1	1.06	2.2	08-07-89	2680.3	162.7	1.2	4.02	21.73	1288
Black & Decker (N)	BDK	24.25	22.38	23.63	.38	1.61	25.25	18.13	40,337	6.87	2,656	4,034	1.65	-.11	N	-7.3	4	4.3	16.9	.40	1.7	09-01-89	2280.9	97.1	1.7	4.73	12.38	0988
Boise Cascade (N)	BCC	47.25	44.63	46.13	1.00	2.22	47.25	35.25	14,467	3.24	1,468	1,447	6.34	1.42	S	26.9	40	7.1	6.9	1.40	3.0	09-11-89	4094.6	289.1	1.3	20.59	37.34	1288
Champ Intl (N)	CHA	37.75	33.88	35.63	1.63	4.78	37.75	29.50	35,833	3.76	3,021	3,583	4.80	.89	S	22.0	NC	8.9	7.2	1.10	3.1	06-12-89	5128.5	456.4	1.4	20.00	35.05	1288
Clairson Intl (O)	CLIC	7.50	7.44	7.44	-.06	-.83	7.50	2.75	1,503	2.95	210	150	.55	-1.03	N	-100.0	NC	3.3	NE	.00	.0	00-00-00	82.0	2.7	1.8	3.54	3.89	0987
Cooper Indus (N)	CBE	37.88	32.13	36.50	4.63	14.51	37.88	25.06	34,164	3.35	2,106	3,416	2.21	.46	S	24.1	21	5.3	15.4	1.00	2.7	09-12-89	4258.3	224.4	1.7	11.54	17.47	1288
DeSoto Inc (N)	DSO	37.38	36.63	37.13	-.25	-.67	52.50	29.75	1,017	2.53	384	102	.79	-2.16	S	-100.0	NC	.8	NE	1.40	3.8	07-21-89	402.5	3.2	1.8	12.33	24.29	1288
Georgia Pacific (N)	GP	57.88	52.00	55.38	3.38	6.49	57.88	33.25	28,161	2.97	2,404	2,816	4.76	1.70	S	38.7	44	4.9	9.1	1.40	2.5	08-07-89	9509.0	467.0	1.9	26.51	27.79	1288
La Pacific (N)	LPX	40.25	36.75	38.00	1.00	2.70	40.25	26.00	20,295	5.44	938	2,030	4.02	-.05	S	-1.2	41	8.5	9.2	1.00	2.6	08-08-89	1799.4	153.6	3.3	9.92	30.51	1288
Macmillan Bloedel (O)	MMBLF	17.00	15.88	16.63	1.00	6.40	17.25	13.88	5,917	.58	550	592	2.58	-.23	S	-9.3	NC	10.1	7.4	.80	4.8	08-07-89	2743.8	276.4	.0	.00	.00	0000
Manville Cp (N)	MVL	8.75	7.50	8.50	.88	11.48	8.88	6.38	11,890	3.02	NC	1,189	.79	.79	F	NC	NC	4.7	10.8	.00	.0	00-00-00	2062.2	96.0	1.7	22.06	7.39	1288
Masco Corp (N)	MAS	30.38	27.88	28.38	-1.50	-5.02	31.13	23.63	46,030	3.35	3,021	4,603	2.10	.17	Q	9.3	17	11.8	14.2	.52	1.8	07-17-89	2438.6	288.3	3.0	7.30	11.30	1288
Mor-Flo Inds (O)	MORF	6.50	6.00	6.50	.50	8.33	7.75	4.75	237	.94	21	24	-1.11	.45	Q	NE	NC	-1.3	NE	.01	.2	12-09-88	218.0	-2.8	1.8	12.85	14.08	1288
Newell Co (N)	NWL	46.50	42.25	44.25	.25	.57	46.50	21.50	6,833	2.33	539	683	2.18	.96	S	61.9	24	6.2	17.6	.88	2.0	08-09-89	988.2	61.4	1.7	6.56	11.19	1288
Nortek Inc (N)	NTK	9.25	8.50	9.00	.38	4.35	10.38	6.38	2,916	1.97	378	292	.90	1.28	Q	NE	NC	1.1	21.4	.10	1.1	06-30-89	1224.2	13.2	2.9	38.65	16.34	1288
Owens Corn (N)	OCF	36.38	33.25	35.25	1.00	2.92	36.38	19.50	14,188	3.53	1,170	1,419	4.71	4.88	S	NC	NC	7.0	7.2	.00	.0	00-00-00	2831.0	-197.0	1.2	32.73	-15.18	1288
Ply-Gem (A)	PGI	13.88	12.88	13.13	.00	.00	15.00	11.38	2,354	2.20	216	235	1.41	.15	S	16.5	13	4.1	12.4	.12	.9	08-14-89	383.7	15.9	4.0	7.71	9.37	1288
Pope & Talbot (N)	POP	29.75	27.13	28.88	1.88	6.94	29.75	16.13	3,140	2.66	245	314	2.68	.77	S	31.8	NC	6.2	9.1	.60	2.1	07-25-89	515.0	31.9	1.9	6.24	13.05	1288
Potlatch Cp (N)	PCH	38.63	35.50	37.63	2.13	5.99	38.63	29.00	5,771	2.00	366	577	4.04	.87	S	24.6	33	10.4	8.6	1.04	2.8	08-10-89	1084.1	112.4	2.4	13.66	24.97	1288
PPG Inds (N)	PPG	45.38	43.75	44.13	-.88	-1.94	46.00	36.25	20,506	1.77	1,651	2,051	4.26	.35	S	9.0	17	8.3	10.4	1.52	3.4	08-04-89	5638.7	467.6	1.5	8.00	20.48	1288
Rep Gypsum (N)	RGC	5.50	5.13	5.25	-.13	-2.33	6.25	4.25	288	.29	64	29	.20	.03	N	14.3	-22	3.8	21.9	.20	3.8	08-25-89	52.1	2.0	3.4	1.09	3.16	0688
Sherwin-Wms (N)	SHW	35.75	32.00	35.13	2.63	8.08	35.75	24.88	19,933	4.63	1,088	1,993	2.30	.09	S	3.9	13	5.2	14.7	.70	2.0	08-21-89	1950.5	101.1	2.0	3.01	13.97	1288
Stanley Works (N)	SWK	38.38	36.50	37.63	1.13	3.08	38.38	24.00	7,960	1.86	969	796	2.40	.40	S	18.3	10	5.4	14.5	.96	2.6	06-06-89	1909.0	103.5	2.7	7.93	16.31	1288
Thos Inds (N)	TII	20.50	19.25	20.25	1.00	5.19	23.31	18.13	1,135	1.11	108	114	1.62	.02	S	1.2	5	5.1	12.0	.72	3.6	08-28-89	347.6	17.7	2.7	.00	12.25	1288
Union Camp (N)	UCC	41.13	37.25	39.25	2.00	5.37	41.13	31.00	22,039	3.20	1,620	2,204	4.25	.97	S	26.9	19	11.1	8.6	1.48	3.8	08-28-89	2660.9	295.2	2.4	9.13	22.66	1288
USG (N)	USG	4.75	4.38	4.38	-.25	-5.41	7.63	4.25	11,254	2.09	1,701	1,125	2.38	-1.68	S	-61.5	NC	5.6	4.2	.00	.0	00-00-00	2248.0	125.5	1.0	44.16	-27.26	1288
Waxman Inds (N)	WAX	8.63	7.88	8.38	.38	4.69	10.38	7.00	326	1.00	278	93	.71	.14	N	22.2	22	4.3	10.9	.10	1.2	06-26-89	152.4	6.6	2.6	3.63	2.27	0688
Weyerhaeuser (N)	WY	32.63	29.63	31.25	1.00	3.31	32.63	23.25	72,549	3.55	4,418	7,255	2.68	.41	S	16.7	27	5.6	10.9	1.20	3.8	07-24-89	10013.9	564.4	.0	16.55	19.86	1288

All Data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share
Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

Rural lumberyards injected with entrepreneurial blood

(Continued from page 1)
in Washington, which has 10,000 members in the U.S. and Canada.

But the move by new owners to reopen these stores does have some rationale:

- Chains abandoned smaller markets, and left behind experienced management that was eager to find local capital to reopen yards;
- Suburban areas pushed new home developments closer to rural areas; and
- There was a general improvement or at least a leveling off of the economies in the upper Midwest.

Aggressive attitude works

As far as closings went, Iowa has been hardest hit, Smith said, losing 43.7 percent of its yards since 1971 when the state boasted 850, including the original Payless Cashways store in Pocahantas, Iowa. But a decision to reopen and take an aggressive stance appears to be working in tiny Montezuma, Iowa.

The new Monte Lumber in Montezuma is owned by two local contractors who purchased the yard from the Minneapolis-based Fullerton Lumber chain two years ago. Monte is outstripping Fullerton's sales by more than three-to-one because they're more aggressive, claim its new managers.

"Competition was coming into town and taking away sales" with better pricing, recalled Monte store manager Pete Ross. Now Monte is attacking competitors' markets in Iowa City and Grinnel, Iowa. Contractors account for 70 percent of Monte's sales.

"The Fullerton people weren't very aggressive or competitive. They just sat around waiting for business to come in," said Ross. Now he's intent on making more sales at lower, but more realistic prices. Monte Lumber is using a variable price program from its wholesaler and getting out and selling on job sites. The changes have meant 1988 sales of $950,000, easily surpassing the Fullerton's unit 1986 sales of just $250,000.

The Fullerton yard had just two fulltime employees, Ross said; Monte Lumber has six.

Larry Williams is another of the new breed. When the nine-unit Frudden Lumber, based in Dubuque, Iowa, closed its stores this year, Williams bought its unit in Ackley, Iowa. He says more aggressive management makes the difference for the new independent lumber yards.

"The other [owners] did not realize the potential in this area," Williams said.

Since taking over in February, his Four County Building Supply has outstripped Frudden's sales. According to Williams, the previous owners averaged less than $160,000 a year in sales. "We did one third of that in May. It looks like it will pay all the bills right away, even if we're not making a lot of profit."

Some things never change

Even this aggressive stance can't help the weather which slowed Four County's sales in July. "If it doesn't rain soon it's going to be a long winter."

Unfortunately, the only "rain" that Four County is getting is in the form of direct mail from United Building Centers in Iowa City, and Payless Cashways and Menard's units 40 miles away in Waterloo, Iowa, that's pelting homeowners here.

Williams concedes competitors' efforts are very effective as local builders look for bargains, even if they have to travel to get them.

NHCN intern Sheridan Chaney assisted in reporting this article.

Rickel Home Centers names new president, Robert Harrow, formerly head of Grossman's eastern div.

(Continued from page 1)
"We'll be synthesizing ideas from the industry in developing our programs for a 'new' Rickel." In the past three months, Harrow has been traveling extensively around the country looking at different retail formats.

The new Rickel corporate management was officially introduced to 150 vendors and manufacturers' reps at an impromptu cocktail party that Rickel held at the Hilton Towers during the Monday night of the Hardware Show. There, Harrow said that Meidar has already begun developing programs to "improve Rickel's current operations," including the development of a greatly expanded import program.

Harrow told *NHCN* that immediate attention will also be given to Rickel's stores' housekeeping and customer service.

Ran chain's eastern div.

Harrow brings to Rickel Home Centers a wide-ranging retail experience that includes positions as assistant to the president of Arlans Department Stores; as a vice president and director of stores for the Bradlees division of Stop and Shop; and, for the last 16 years, as an executive with Grossman's.

During this latter period, he was executive vp and general manager of the Braintree, Mass.-based company's Grossman's division until 1986, when he became an executive vp with the corporation that includes the Moore's chain as well as stores in northern and southern California.

Harrow was promoted to the president of Grossman's eastern division on January 20, 1987, the third ranking position in the company. He served in that post until March 1 of this year, when he was made executive vp-new ventures, and began researching the possibility of transplanting Grossman's successful warehouse operations in southern California onto the East Coast.

Battle-ready

However, to many this change seemed to represent a diminution of responsibilities for Harrow, as the company hired Bruce Weitz from the supermarket industry to be its executive vp. It may also have precipitated his departure from the company.

If Rickel, in preparing for the oncoming market wars with warehouse competitors, wanted someone who was battle-ready, they've found him in Harrow, who, along with a handful of other Grossman's officials, is credited with keeping the rank and file from abandoning ship when the company went into Chapter 11 as part of Evans Products in March of 1985.

Born in New York City, Harrow is a graduate of George Washington University and an Army veteran. Meidar, whose previous positions include serving as president of Prime Asset Management in Columbus, Ohio, and in various executive capacities with I.U. International, holds a B.A. from Philadelphia College of Textiles and a masters degree from Lehigh University.

Optimism in the air at this year's International L&G expo

(Continued from page 6)
effects of climate, said to expect more extreme conditions, both hot and cold, over the next 20 years. Overall, he discounted the greenhouse theory, which states the climate is warming because of pollutants being released into the atmosphere.

"The major misinformation that people are given these days is that it's getting warmer," Browning told the audience. In fact, he predicted that in just 20 years, crops grown now will have to be raised in areas 400 miles to the south to escape the colder weather.

But last year's drought was still on the minds of several who attended the show, especially those who were concerned about how the weather would affect their inventory levels.

Consumers who waited to buy lawn and garden products until after the drought apparently won big since suppliers in this area often teamed up with dealers to move merchandise.

For instance, Dewayne Rendel, president of the Rendel Co., a single-unit operation in Murencl, Mich., said Simplicity added a $100 rebate last fall to go along with the sale he ran to push mowers. In some cases, that resulted in $250 savings for shoppers, he said.

"We cleaned out everything," Rendel said and added, "inventories are as low as they've ever been."

Roger Gast, president of Gast & Sons, a one-unit store in Caledonia, Wis., had also been "overstocked," but likewise emptied inventories with the help of factory rebates.

Mostly equipment

This remains primarily an outdoor power equipment buying show, with lawn and garden suppliers waiting for the National Hardware Show in Chicago, which followed just two weeks later.

Terry Keenan, director of sales and marketing at the Arnold Co., a Cleveland supplier of gardening tools and lawn mower accessories, noted home center buyers dropped by his booth to say hello but they wouldn't close deals since they'll all meet again at the Hardware Show.

Keenan explained this is the only show for those buyers to deal with OPE suppliers, so the buyers spent most of their time with them.

Ronnie Stapp, a vp at Pennington Seed, Inc., Madison, Ga., echoed the same thought by saying Pennington had a booth in Louisville for the exposure, while the dealing would take place two weeks later at the Chicago show.

Next year's show will begin on Sunday and conclude on Tuesday, a day earlier than the Monday through Wednesday format used for the first six editions. Frazier explained that dealers, who are usually closed on Sundays, will miss one less operating day. This change will also allow dealers to take advantage of discounted Saturday airfares, he noted.

The Outdoor Power Equipment Institute's lease with the Kentucky Exposition Center runs out after the 1990 show and it appears Louisville and Cleveland will be the main bidders for the 1991 edition and others to follow. A decision on the possible site change will be made in February.

Amdura board in limbo as investor makes hostile bid

(Continued from page 5)
"It's going to be a struggle for the next few months to digest what we've taken in," admitted Amdura's controller, Harry Larson.

Despite anticipating $800 million in sales this year—85 percent coming from distribution—Amdura posted an $8 million earnings loss in the first quarter, which it attributed to its purchase of Coast-America. It broke even in the second quarter and expects a soft third quarter before picking up again in the fourth.

Still, earnings have been erratic since 1984. The corporation posted profits of $6.5 million in 1988 and $15 million in 1987, but it lost money in the three previous years, including $70 million in 1986.

"They have lost money over most of the last five years, and all the while, management has paid itself fairly handsomely," said Skip Maples, an analyst with Piper Jaffray & Hopwood in Minneapolis.

Maples also believes the Coast acquisition was designed to ward off Cilluffo as he was buying up stock. Clearly, he said, it backfired if that was the intention.

Maples called the move to bring Schlesinger to the Amdura board "window dressing, but designed to show that Cilluffo means business."

Meanwhile, the question of why Cilluffo has targeted Amdura remains unanswered. He did not return repeated phone calls to his offices in New York and Portsmouth, N.H. But Don Cassidy, an analyst with Boettcher & Company in Colorado, believes Cilluffo recognizes the wealth of the hardlines industry.

Cassidy added that Amdura is a prime takeover target. With management strapped for cash, he said, the likelihood of it protecting itself through a leveraged buyout is remote.

He also believes the stock offering to retire the debt, depending on how it is issued, could dilute Cilluffo's voting rights. This, he said, is a major reason for Cilluffo's escalated interest in the company.

Ex Wickes Cos. vp picked to head Diamond parent

(Continued from page 5)
Schaffer left the company in late July to become president of Erb Lumber; vp-marketing Wayne Nalls and vp-merchandising Jim Collins were let go for budgetary reasons.

Diamond emerged from Chapter 11 bankruptcy last year, securing a $70 million credit line with the help of Michigan General, but some believe that Diamond, which had $273 million in 1988 sales, must develop into a more DIY-oriented business if it expects to survive.

Asked about this, Kritzer would not respond directly. He did say, however, that options are being considered. "It's going to depend on a lot of things," he said. "The locations, the population density and other factors."

Whirlwind tour

Despite planning a brief tenure at Michigan General, Kritzer is clearly determined to make an impact.

On the day he officially took over, July 31, he was about to board a plane for the Northeast, where he was scheduled to meet with regional and district managers.

From the Northeast, Kritzer said he would come back to the corporate headquarters here before visiting managers in California and Pacific Northwest.

"I've already looked at the books," he said. "Now I want a chance to have a ground-level view before any decisions are made."

Kritzer joins the company as several key executives have recently left.

Asked about the financial health of Diamond, Kritzer said he could not provide details beyond the fact that it is "maintaining its relationship with its creditors and paying its bills."

Diamond now has 14 outlets in the Northeast, two fewer than it did in early July. In closing its South Portland yard, said Diamond president Jerold Grubstein, the company combined operations with another Diamond yard 14 miles away, in Bideford.

"They were covering the same market," said Grubstein. "The economy can no longer support both."

However, the economy may have been only partly to blame for the closing of the yard in Grotton. The yard's former manager, 20-year Diamond veteran Tom Lenihan, left the company in March 1988 to start his own lumber business, and reportedly took a substantial number of customers with him.

Grubstein dismissed this as nothing unusual, saying, "Any time a manager leaves, a percentage of the business goes with him."

For his part, Grubstein said he was pleased to have Kritzer on board. "My reaction is very favorable," he said. "He adds a wealth of knowledge and experience to the company."

AHMA takes on new venture with co-op ad management service

(Continued from page 6)
Ramsey explained some large AHMA member companies using Adtech before the August agreement with AHMA would see a reduction in the cost of prior co-op servicing.

"Co-op advertising is an important, yet specialized, area in our members' marketing mixes," said AHMA president William P. Farrell in a prepared statement. "This service will save members time and money, and also alleviate the potential pitfalls associated with co-op claims, handling and management."

Ramsey explained the second major portion of the CHAMPS offering was called Quicklit, a marketing and promotion service. In it, Adtech offers line art and production of collateral (i.e., sales) literature, including four-color catalog printing, the warehousing of materials and distribution, including bulk mailing and list management.

The association's final CHAMPS offering is a Co-op and Promotion Consultation aimed at improving an AHMA member's co-op ad program. Through the end of 1990, Adtech is offering AHMA members a free half-day consultation in Indianapolis on starting, revamping or improving retail promotion programs, Ramsey said.

In addition to the AHMA agreement, Adtech, a 10-year-old co-op management firm, also handles the co-op claims service for some 1,000 Ace Hardware stores under a contract with the Oak Brook, Ill.-based buying group.

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John Cotter, co-op founder, dead at 85

Leader in hardlines distribution for 40 years

By Gary S. Ruderman

EVANSTON, Ill. — In his lifetime, he was called a showman, a salesman, a role model and, occasionally, other less endearing terms.

But "legend" is how friends and business associates recall John Cotter, the founder and patriarch of Cotter & Co., who died from cancer Aug. 28.

Cotter had been hospitalized here on Aug. 7 for what was thought to be a chronic cold, but underwent surgery one week later. He had turned 85 on July 8.

It was Cotter's realization of his theory to provide low-cost distribution of hardlines, combined with a tenacious personality, that took his Chicago-based Cotter & Co. from a fledgling business selling $385,000 in products to 25 Midwestern stores in 1948 to its status as the world's largest dealer-owned wholesale co-op, with 1988 sales hitting $2 billion from 8,100 True Value and V&S Variety stores around the U.S. and in several foreign countries.

"No one of his generation has had a more positive influence on the dynamics and evolution of this business," said George Sherman, executive vice president for Black & Decker. "I knew him as a legend."

"We're going to miss him and the industry will miss him," lamented long-time friend Ed Lanctot, a Cotter friend for half a century, who was with Cotter when he started the co-op 40 years ago and retired as its general merchandise manager in December.

Tall, lanky, conservative, hardworking, Cotter molded the company to his own image. One of Cotter's mottos, according to dealers who knew him, was, "If you believe, you belong," and more than any other company in the home improvement industry, Cotter & Co. was said to have been run like an extended family.

Even after his "retirement" in 1983, Cotter continued to make the drive from his modest home in suburban Evanston to the office six days a week.

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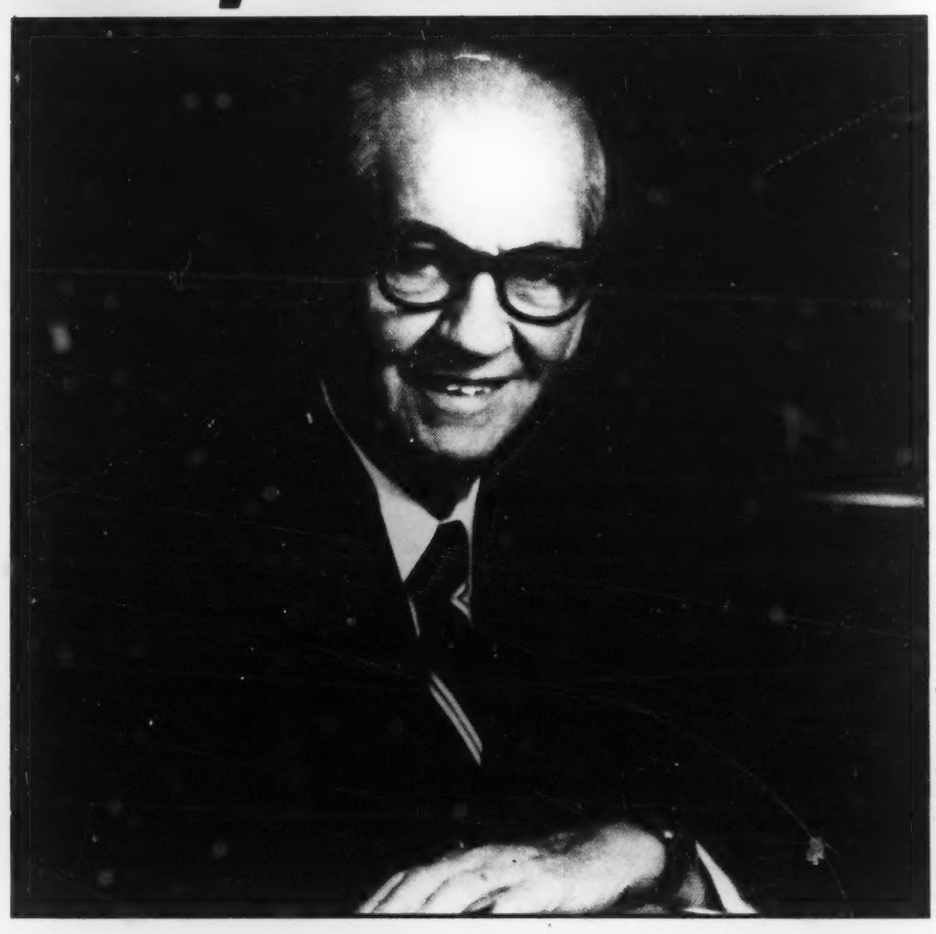

Photo courtesy Cotter & Co.

John Cotter

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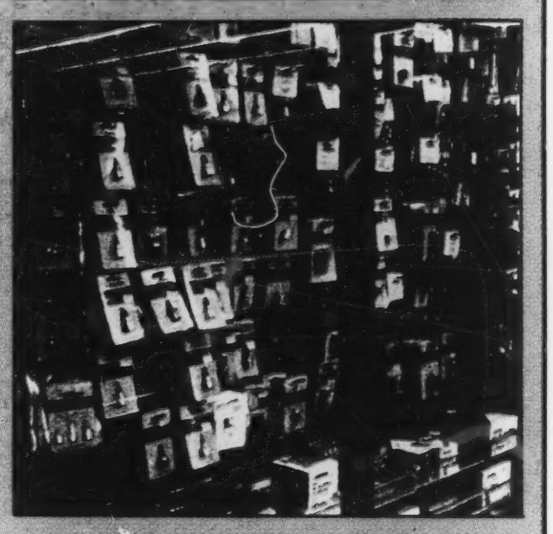

Accessories help dealers boost profit margins from power tool sales 39

Weyerhaeuser announces selloff of DCs

Wholesale distributor to be left with 43 units

By an NHCN staff editor

TACOMA, Wash. — Weyerhaeuser is selling 14 of its lumber and building materials distribution centers around the U.S., as part of its ongoing corporate restructuring.

The sale of the distribution centers, which is being handled by Chemical Bank Investment Banking in New York, should be completed by the end of the year.

Nationwide selloff

Based on information from several sources, *NHCN* believes Weyerhaeuser has put up for sale its distribution centers in Boston; Hartford, Conn.; Freehold, N.J.; Baltimore; Tampa and Orlando, Fla.; Asheville, N.C.; Grand Rapids, Mich.; Indianapolis; St. Louis; Houston and Los Angeles. The closure of distribution centers in Jacksonville and Miami, Fla., were announced June 1.

With a lack of Eastern mills, Weyerhaeuser has been reducing its presence in the eastern market, said one of its distribution center general managers notified of the proposed selloff.

A spokeswoman for Weyerhaeuser declined comment beyond quoting from an Aug. 18 Management Bulletin, in which company president John Creighton told managers the evaluation of the company's distribution division was complete. Creighton said an "implementation plan" would begin immediately.

Beginning Aug. 24, some distribution center general managers were notified of the selloff. They, in turn, notified larger retail customers and wholesalers Aug. 25.

The full extent of the proposed selloff on customer service

(Continued on page 92)

Pro Hardware to relocate headquarters to Denver

By an NHCN staff editor

CHICAGO — Pro Hardware, the wholesaler marketing group, will be moving quite a lot in the next year.

Gary Cosgrave, Pro's 47-year-old chairman and ceo, told a group of around 150 vendors at last month's Hardware Show that his organization would relocate its corporate headquarters from Stamford, Conn., to Denver by the end of October.

He and three other Pro executives also laid down the law that Pro would demand much stronger commitment to its expanded merchandising and marketing programs from its 43 distributor members, its 5,000 Pro-affiliated retailers and its vendors.

This includes what Cosgrave said would be "specific dollar commitments" from retailers, as well as an increase and standardization of Pro's store identification program.

Photo courtesy Pro Hardware

Gary Cosgrave

The company will also enforce closer adherence to its "policies" by its distributors, with each audited annually by an executive committee; will develop a retailer advisory board to select products and services; and will emphasize block purchases from vendors to improve the pricing and margin structure of the products being sold to its dealers.

Centralized marketing

The marketing group, whose members sell to an estimated 19,000 dealers, had sales of $725 million last year. With its 1989 merger with two other wholesaler marketing groups—Allied Hardware Services in Chicago and Handy Hardware Wholesale in Houston—as well as its signing as members Nuway Distributors, CC Distributors and Galbraith Steel, Pro Hardware expects sales of its membership to surpass $1 billion this year.

Cosgrave said Pro's marketing ef-

(Continued on page 94)

Abitibi-Price puts building materials div. on the block

By an NHCN staff editor

TROY, Mich. — The intent of Abitibi-Price Inc., the Toronto-based paper manufacturer, to sell its building materials division here caused surprisingly little concern or speculation among home improvement distributors and dealers that buy from it.

"I see that as a trend in the industry," said John Beers, lumber department manager at Progressive Affiliated Lumbermen (PAL), the commodities co-op based in Grand Rapids, Mich. "Companies will be deciding what businesses they want to be in in the future. It's not a shock to me."

A resolve to concentrate primarily on its core businesses—producing newsprint and other paper products—prompted Abitibi's parent to place the division on the block, according to Anne Johnston Hall, manager of corporate information at Abitibi.

Hall cited market share as the reason for the proposed sale, which was announced on Aug. 22. "We intend to stay in businesses where we can be the best and then [grow] to be the biggest," Hall said. "We don't see ourselves being the biggest [in building materials]."

The cyclical nature of the building products division also was a concern to the company, Hall added.

Strong image, falling sales

The division, which employs 1,600, manufactures hardboard paneling and siding products, plastic mouldings, and bifold doors, shutters and shelving at facilities across the U.S in Michigan, Ohio, Kansas, North Carolina (two) and Indiana.

The consensus among retailers contacted by *NHCN* for this article—including Lowe's, a large Abitibi customer, and other retailers in Colorado, New England and California—was that Abitibi's paneling products retained a quality image in a market where plywood and other veneer lines were heavily promoted.

"The [Abitibi] name won't disappear," said Ralph Linehan, a buyer for the eight-unit Somerville Lumber in Massachusetts. "It's the oldest established name in New England."

But sales at the division last year fell 10.7 percent to $198.3 million (Canadian), and operating income for the division plummeted by 30 percent to $11.4 million (Canadian), according to Gordon Maw, Abitibi's vp-finance.

Building materials accounted for only 6 percent of the cor-

(Continued on page 92)

INDUSTRY UPDATE

Rickel lets go its vp-merchandising

SOUTH PLAINFIELD, N.J. — New Rickel president Robert Harrow has replaced the chain's vp-merchandising Lloyd Blank and vp-human resources Laura Tabakin. Tom Deutsch, merchandise manager-building materials, has also departed.

Blank was with the 51-unit chain 13 years, starting as a store salesman. Details on Tabakin's tenure were unknown. Her assistant Alan Hauser fills her post.

Salvatore Merlo was named merchandise manager for housewares/home furnishings. He spent 20 years with the Two Guys chain and most recently ran his own nine-store chain called WAGS.

Hedstrom celebrates its 75th year

GRAND MARAIS, Minn. — Despite a $1 million fire destroying the company's drying kiln and 300,000 board feet of lumber, Hedstrom Lumber still held a five-day open house celebrating the company's 75th anniversary.

Tours through Hedstrom's lumber mill went on Aug. 8 although the smell of burned timber was heavy next door. Wesley Hedstrom, president, said more than 1,000 people toured the company on Aug. 7 through Aug. 11, including town residents, contractor customers, officials from the U.S. Forest Service, the state department of natural resources and members of state trade associations.

Hedstrom said the fire apparently started around 10 p.m., Aug. 7. He said a spark from a welding torch in use on the kiln probably ignited the blaze; the kiln had a 13-million-board-foot annual capacity. Two weeks after the fire a new kiln and buildings had been ordered, he said.

Hedstrom Lumber had sales of $17 million in 1988, $1.25 million of which came from its single-unit retail operation here, northwest of Duluth, Minn.

Some closed Handy Dans occupied

HOUSTON, Texas — A regional sporting goods chain based here moved into some of the shuttered Handy Dan locations in and around this city. However, it's still not certain to what extent Handy Dan's parent, Channel Home Centers, has been able to sell off its southern stores and real estate.

Academy Sporting Goods, which operates a total of 28 stores, moved into some of the closed Handy Dan units in August. It is not completely clear what real estate company Channel dealt with to dispose of these closed stores.

Channel was negotiating a deal with Sun West Realty in Dallas in which Sun West would take the properties off of Channel's hands and then sell the leasing rights to various real estate brokers.

From its Whippany, N.J., headquarters, Channel would not comment on this development and Shearson Lehman Hutton, the New York investment banker which Channel hired to oversee sales of the southern units, did not return phone calls.

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Westlake operator names new president amidst rumors of sale

By an NHCN staff editor

MIAMI LAKES, Fla. — Fritz Braymen has been named president of the southeast division of Lone Star Hardware, the Miami-area operator of 19 Westlake Hardware stores.

But Braymen's role may be more of a salesman than a senior executive. According to sources in the investment banking community, Bear Stearns & Co. of New York has been brokering the sale of the Florida chain.

Braymen's appointment came just 90 days after his resignation as chief operating officer of the Lenexa, Kan.-based Westlake Hardware chain, which operates 74 stores and generated $142 million last year. Lone Star Hardware is an arm's length corporation set up by the Westlake family to franchise the Westlake Hardware name to 26 stores in Florida, Texas and New Mexico.

NHCN has learned that Bear Stearns employees Drew Field and Peggy Bertelson, both in the firm's corporate restructuring depart-

(Continued on page 94)

Hill-Behan chooses heir as ceo

By an NHCN staff editor

ST. LOUIS — Patrick Behan's job in the future will be to make changes before the world around him does.

The 45-year-old Behan, currently president and coo of Hill-Behan Lumber Co., was named chief executive officer of the family-owned chain last month. He assumed a title that was held by his father W. L. Behan Jr., who remains chairman of the company.

Hill-Behan is a highly diversified company. It operates 33 retail stores in the Midwest, as well as a sawmill, wood treating plants and professional home builder service centers in Missouri, Illinois, Mississippi and Louisiana. The company posted sales in excess of $90 million last year.

But Hill-Behan is examining its many operations, Behan said. Earlier this year, the company closed its 45-year-old prefabricated building parts and millwork division. While it still offers those products, they are sourced from outside the company.

Overall, Behan said there are many changes in the company's various sectors to keep up with: the changing mill and wood treatment technologies; increased competition in the retail sector; environmental restrictions on logging and

(Continued on page 94)

HWI signs on Dixieline Lumber

By an NHCN staff editor

SAN DIEGO — Hardware Wholesalers Inc. (HWI), continuing its West Coast expansion, has signed as a dealer-member the $160 million Dixieline Lumber chain, headquartered here.

The deal initially calls for the Fort Wayne, Ind.-based co-op to provide a small amount of building supply items to Dixieline's La Mesa store, one of 10 operated by the chain in southern California.

Walt Heise, Dixieline's vp-merchandising, said the products would all be direct-shipped from manufacturers, with HWI acting as purchasing agent. He said there was no timetable for folding in the remaining stores.

"We're testing the waters, trying to see if we can save on bulk-item purchases," he said.

Heise declined to say how much the company eventually

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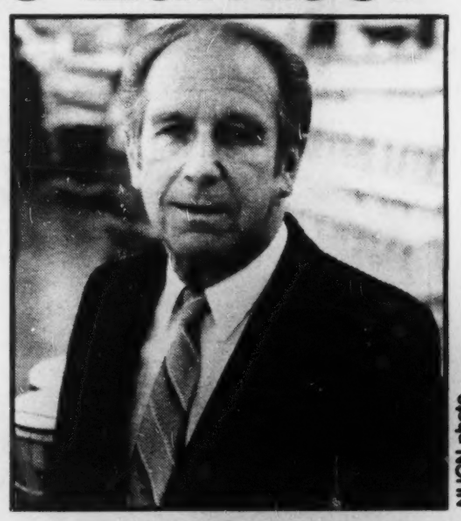

NHCN photo

Walt Heise

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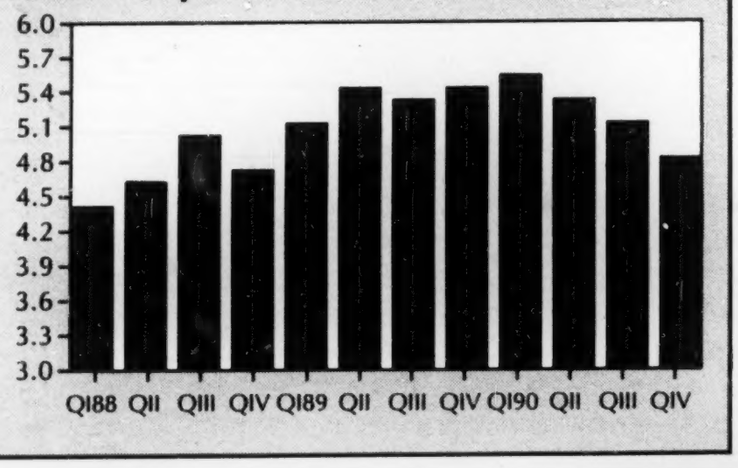

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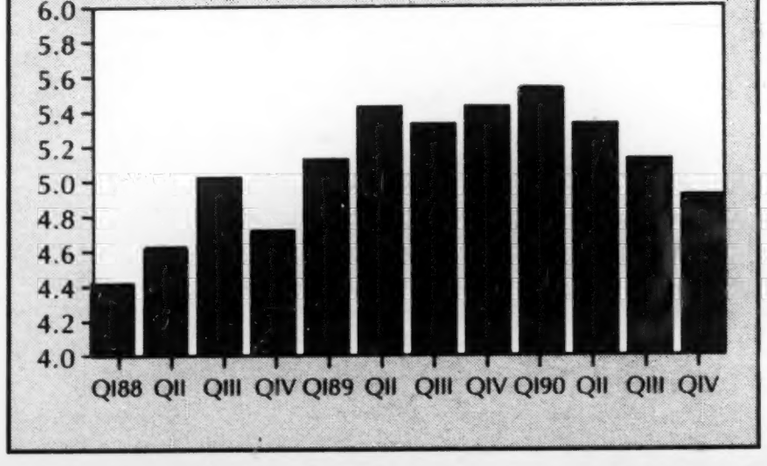

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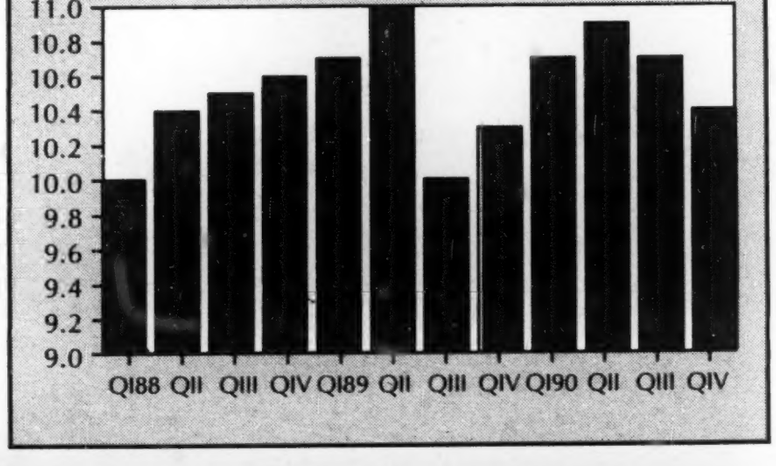


Mortgage rates enjoy decline; but another rise is expected

By Richard E. Mount
Special to NHCN

Housing markets and building materials retailers, distributors and producers have enjoyed the recent decline in mortgage rates to 9.7 percent in early August, from 11.1 percent in June. This reduction in borrowing costs has increased the number of housing starts in the last two months.

Rates may be near their trough though, and could begin to rise anew by the fourth quarter of this year, going as high as 10.9 percent by the middle of next year.

Richard E. Mount

For building materials retailers, this will pressure sales. We currently expect a rise in sales of 4.1 percent this year, due to softness in the first half.

The bright news during August was retail trade posting a gain of 0.9 percent from the prior month, and 6 percent from a year ago. Producer prices declined both in June and July. The big factors behind this decline were energy, down 0.3 percent in July, and autos due to end-of-year model discounts.

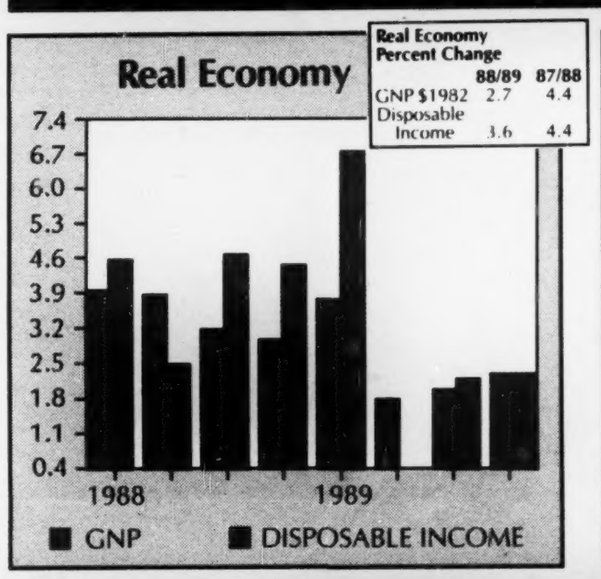
The economy appears to be picking up momentum. Housing starts rose 0.8 percent in July for the second consecutive month. Industrial production increased 0.2 percent in July, its first rise in three months. The trade deficit fell to its lowest level in four years.

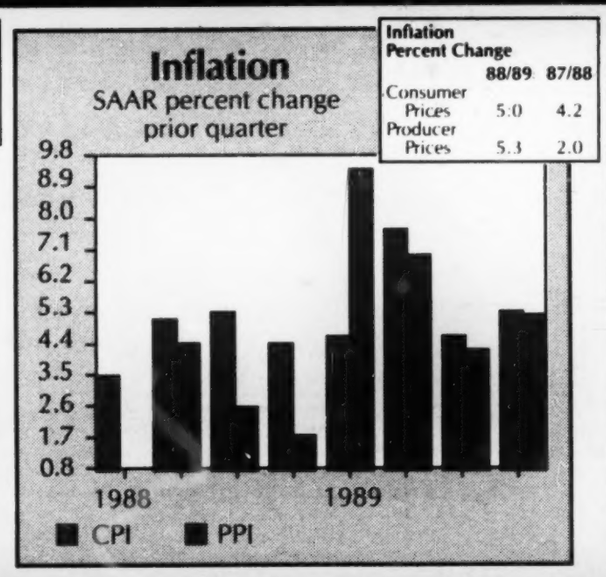
The outlook for mortgage rates through the first half of 1990 is likely to revolve around inflation. Financial markets have been whipsawed so far in 1989. Food and energy costs soared in the opening months, pushing inflation higher. These markets then retreated, pulling inflation down.

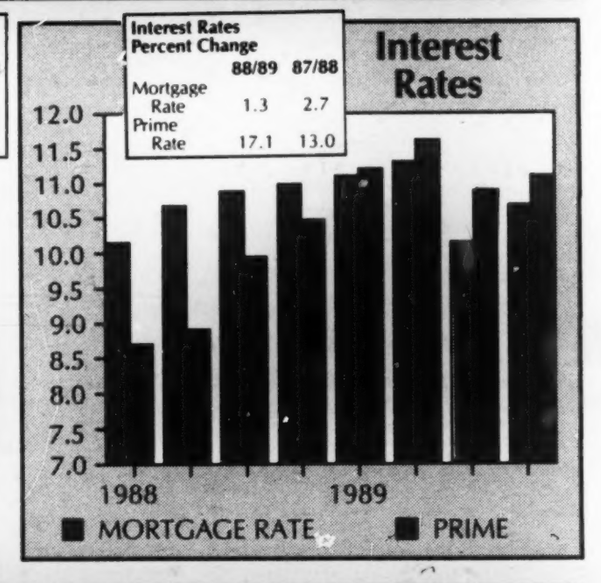
For building material retailers, sales in 1989 have not been as robust as in 1988. Consumer spending in general has been soft. Higher interest rates will put additional pressure on housing in 1990. This does not suggest a downturn, but a period of slow growth.

Richard Mount is president and chief economist with Mount Economic Consulting.

General Business Conditions







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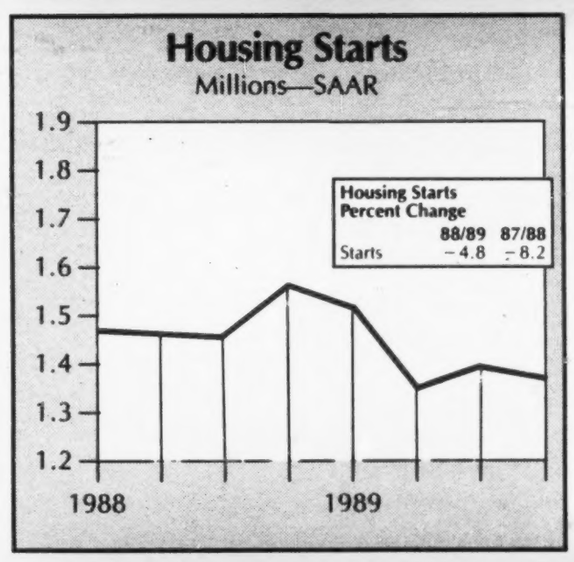
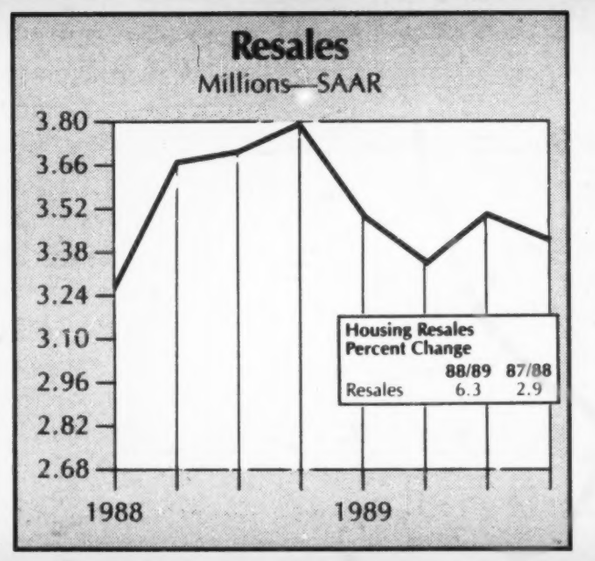
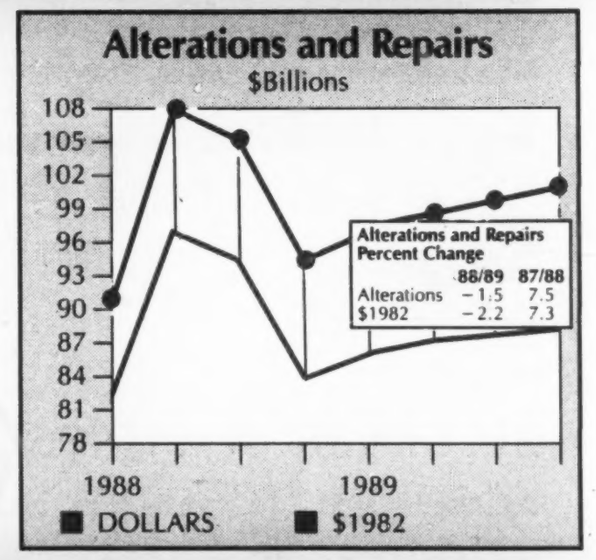
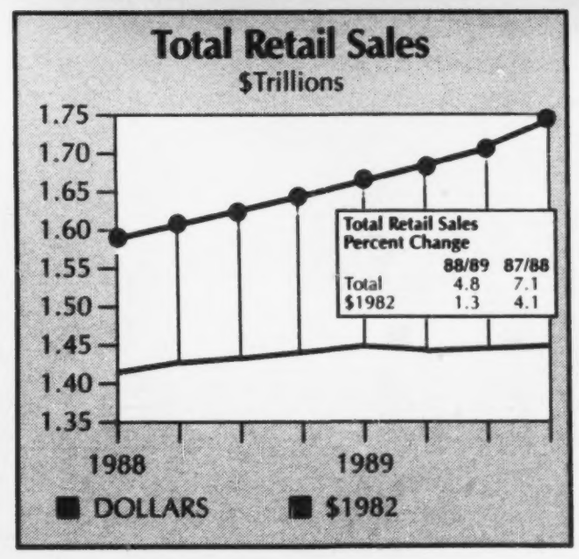
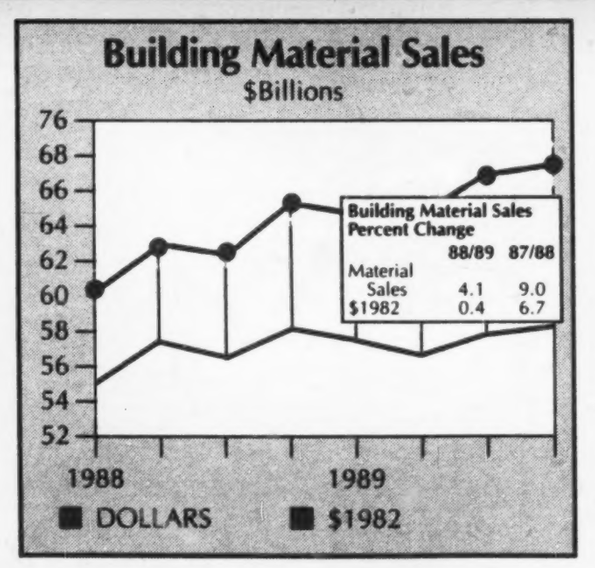


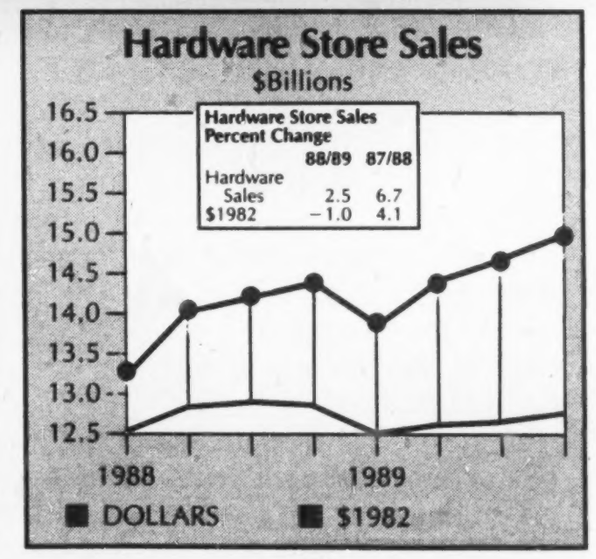




Retail Trade Activity







Data: Dept. of Commerce
Bureau of Labor Statistics
National Association of Realtors
Dept. of Housing and Urban Development

The Home Center Industry Outlook runs in two parts, one each month. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material and supply store sales.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart

Bar Code

(Continued from page 6)

pers, not in the back," said Lora Castellanos, UPC coordinator for the 105-store chain.

Home Depot plans to have each of its locations UPC-equipped by the end of January. Five months later, said Castellanos, those stores will be scanning cartons.

Builders Square, based in San Antonio, Texas, expects all 141 of its stores to employ UPC by the end of next year.

But Lowe's, the industry's largest chain, has no immediate plans to implement UPC scanning. Vaughn Hayes, vp-merchandising administration, said a committee was only recently formed to study the issue.

"Our attention has been focused more on EDI in the last year," he said. "It's a matter of resource allocation."

Meanwhile, retailers and vendors are conceding that however advanced bar coding becomes in the industry, there will always be items that will never be coded for checkout.

"For some things, it just doesn't make economic sense," said Willis of HomeClub, who included small pipe fittings, screws and concrete blocks as exceptions.

HomeClub, which estimates that 8 percent of its non-lumber products fall into this category, has used charts to deal with this. The charts have a picture of the item and a bar code alongside it. A clerk, in pricing the item, runs a scanner over the chart.

Finally, on the lumber front, another major supplier has joined the ranks of the few who bar code. As of this month, Georgia-Pacific has made available studs and plywood with UPC stickers.

The National Forest Products Association is expected to release recommendations at the end of September on bar coding. A source said those recommendations will be similar to those made by AHMA.

"They think, 'It's only the bar code,' " Kota said. They don't realize how much rides on how well that bar code scans at checkout.

A 10 percent error rate on scanning can translate into a 46 percent decline in reorders over the course of one year, based on a biweekly reorder schedule, Kota said.

Dorothy Brandes, K mart's coordinator for UPC, provided a cautionary tale of how vendors can be losing business through flawed codes.

K mart recently told a vendor of Christmas products that it didn't want to reorder because its records showed only half the vendor's merchandise sold last year.

At the vendor's urging, though, a K mart buyer checked UPC scanning error reports and discovered all the "unsold" merchandise on those lists. In fact, the vendor's entire line had sold out, but only half the sales had been "captured" on K mart's computer.

The vendor was told that if he could correct his scanning problems, not only would K mart renew the order, but would boost it by 50 percent.

Flaws detailed

To make the point more clearly during its presentation, K mart used a display of "good" and "bad" items to illustrate common problems.

For example, on one package of hinges, the product partially obscured the bar code. Another package avoided this problem, but only by making the code too small to scan.

Other common problems include:

- Not enough contrast. One can of paint used black bars on a silver field, but silver scans as black, so the scanner could not read it.
- Using orange, red or yellow as bars. Because of the optical frequency of the scanning beam, these colors scan as white, *i.e.*, not at all.
- Reversed labels. One product featured white bars on a dark-colored product. The scanner, designed to read black bars on a light background, read the dark "spaces," not the white bars.
- Wrong product identifier code. All general merchandise should begin with a zero as product identifier code. One package of light bulbs that featured a 25 cent coupon used a five as product identifier code. The scanner reads this as a deduct command (all scannable coupons use a five), therefore the scanner would read this and *deduct* the entire price of the product from the sale.
- Same code for different colors of the same product.

Rich Dipietro, manager of packaging development for Stanley Hardware, which had a few "bad" items represented in K mart's display, said, "The products we had a problem with are imported."

He added, however, that the hinge package on display was six or seven years old. "We corrected that problem three years ago," he said.

K mart

(Continued from page 6)

three or four scans, then type in the human-readable number," according to Alex Kota, POS coordination manager. "Often, however, they merely key in the price," he said. And that is a sale that doesn't exist, according to the automatic replenishment system.

Kota said manufacturers often put a lot of effort into the design and packaging of their product, and then pay little attention to the bar code.

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Vol. 15, No. 19 September 11, 1989

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Lowe's plan will target DIY sales

Corporate reorganization will emphasize retail merchandising

By Ken Schept

ASHEVILLE, N.C. — Lowe's won't be dancing with the one who "brung" it anymore.

Having grown to be the industry's largest operator on the strength of its home builder business, Lowe's in recent weeks has restructured its merchandising department to emphasize retail sales.

The decision to change partners culminates the slow evolution of company culture that began more than 10 years ago, when Lowe's took its first tentative steps into retail with its RSVP program.

Lowe's management expects the corporate realignment, along with plans to open much larger stores (*NHCN*, May 8), to position the company for the 1990s, when the nation's repair and remodeling expenditures are expected to continue outpacing housing.

"Lowe's strategy," said chairman Bob Strickland, "is to preempt competition in the small-town South by converting small stores to large, destination stores."

Bob Tillman, 46, a 26-year veteran of Lowe's, most recently served as an area vice president with responsibility for 102 stores. He emerged from the corporate restructuring, which directly affects about 180 employees, as a leader with the position of senior vp-merchandising.

(Continued on page 61)

Lowe's new senior vp-merchandising Bob Tillman speaks with securities analysts during a tour of a new, 65,000-square-foot Lowe's unit in Asheville, N.C. NHCN photo

Malcolm Sherman

Former Zayre Stores chairman appointed to top Channel post

By John Caulfield

WHIPPANY, N.J. — The former chairman of Zayre Stores has been installed in a top executive position at Channel Home Centers.

Malcolm Sherman, 58, officially joined the beleaguered, 98-unit home center chain the week of Sept. 18. His retail experience is extensive, with 20 years as an executive with Zayre, the discount retailer, in various management capacities.

Channel acknowledged his appointment but would not identify his specific title. Vendor sources informed about the appointment told *NHCN* Sherman is coming in as either president or ceo.

It couldn't be determined what effect this appointment has on Channel's management. Leon Berger, Channel's president, declined to comment. Sherman could not be reached for comment.

Sherman became chairman of Zayre's Stores division in 1986 and remained in that post until his resignation in June 1987, when it had 360 stores and $3.3 billion in sales.

(Continued on page 8)

Cincinnati independents say odds are with them, despite chain competition

By Tom Bagsarian

CINCINNATI — Over the past several months, this city was preoccupied, to say the least, with little else than the Pete Rose gambling scandal.

Regional Outlook

The saga finally was resolved when Rose, manager of the Cincinnati Reds, accepted a "lifetime" ban from baseball. There are probably some retailers here who wish there were a home improvement "commissioner" who could impose a similar ban on new competition moving into this already crowded riverfront market.

That authority doesn't exist though, and that's good news for Builders Square, which dealers here say is coming to Cincinnati in the next few months. That would represent the first warehouse store operator here since Mr. HOW Warehouse closed its doors in 1986.

It's unclear how many units Builders Square will open here; some here think it could be as many as three stores. A spokeswoman for San Antonio, Texas-based Builders Square said the company is not prepared to comment on moving into Cincinnati.

Chuck Parsley, store manager at the Western Home Center in Fairfield, Ohio, north of Cincinnati, recalls seeing a sign informing motorists of a Builders

(Continued on page 62)

Manufacturers plot product promos with eye on calendar

By Tim O'Malley

NATIONAL REPORT — October is one of the biggest sales months for home centers. For that reason, these 31 days are viewed as the right time to launch national product promotions to boost sales.

The Plywood Paneling Council (PPC), in its first monthly promotion next month, hopes to reach 40 million consumers through a national advertising program that is being bolstered by local ads and point-of-sale displays in retail stores.

Called "Paneling Makes Perfect Month," it will highlight plywood's durability, attractive design and ease of installation, said the PPC.

Similarly, October is National Kitchen & Bath Month, sponsored for the seventh straight year by The National Kitchen & Bath Association (NKBA). Its spokesperson, Tracy Tynan, said Wickes Lumber, Handy Andy and Payless Cashways are among those heavily supporting this year's program, with the latter ordering 200 point-of-purchase kits—one for each of Payless' stores—containing posters and banners.

The Home Depot, meanwhile, will have its first Radon Hazard Awareness Project in October, when Fire Safety Month and Fire Prevention Week (Oct. 8-15) also occur. BRK Electronics, which makes First Alert smoke detectors, will observe these by stepping up distribution of its "Plan to Get Out Alive" video and making posters available to dealers.

"We began promoting the month last year," said Richard Timmons, BRK's marketing director. "We got an extra inventory turn and that's why we're doing it again."

Throughout the year, there are months and weeks for just about every product. Some of the more successful campaigns have revolved around commodities such as roofing and insulation, but there are also ongoing efforts for paint and other items.

Do these promos work?

The latest programs conducted in October correspond with the view generally held by dealers that their sales in that month are strong, as the pre-holiday store traffic begins to swell and consumers are actively looking for bigger ticket items.

But retailers don't always credit industry promotions for that success.

"The consumer doesn't really care about these promotions," said Bruce Meltzer, president of General Building Products, Long Island, N.Y.

(Continued on page 42)

INDUSTRY UPDATE

Central Hardware's exec vp resigns

INDIANAPOLIS — Steve East, executive vice president of Central Hardware, resigned abruptly earlier this month.

"I got tired of the corporate bugaboo and decided it was time to go out on my own," said East, an employee of Central Hardware for 18 years, from his new home in Indianapolis. A native of Indianapolis, he began his career in the industry at Central as a store supervisor here late in 1970.

"I'd been thinking about it for a long time," explained East, 42, of his decision to move into a tool and party supply rental business. He had been looking for an appropriate building in St. Louis, Central Hardware's headquarters city, but a better site came on the market in Indianapolis, he said. The new business will be called South Port Tool & Party Rental.

East said the change in ownership of the 38-store chain, purchased earlier in the year by an affiliate of Handy Andy Home Improvement Centers, did not have any bearing on his decision to resign. Central hasn't named his replacement.

NRHA gets new managing director

INDIANAPOLIS — Hal Marsolais has been named the new managing director of the National Retail Hardware Association by that group's board of directors.

Marsolais, 47, whose most recent position with the NRHA was as director of its Home Center Institute, replaces David Loving, who was dismissed from that position earlier this summer.

"The Board felt Marsolais had a strong understanding of the issues facing the NRHA and could direct the organization towards a stronger working relationship with its affiliates," said Frank Greenhaw, the association's president.

Home Quarters looks to Northeast

VIRGINIA BEACH, Va. — Home Quarters Warehouse has begun recruiting a regional executive team for its expansion into New England, its first venture into the North.

Robert Wittman has accepted the position of regional director of merchandising and was slated to begin in mid-September, according to Frank Doczi, president and chief executive officer of the chain.

Wittman recently served on the consultant team for Rickel Home Centers. Prior to this position, he was merchandising vp at Somerville Lumber in Waltham, Mass. He has also worked for Grossman's and the discounter Bradlees. Doczi declined to elaborate further or to give the names of other members of the regional executive team.

Home Quarters, the warehouse store subsidiary of Hechinger, is currently seeking a site for its regional office in Boston that will house both its merchandising and operations staff, according to Doczi.

In other company news, HQ has named Harold Hall as its vp-chief financial officer. Hall previously held the same position with the Mr. Goodbuys chain. He also was the cfo for the Central Region of W. R. Grace's home center division.

Cotter & Co. elects new chairman

CHICAGO — Following the death of its founder and board chairman, John M. Cotter, the board of Cotter & Co. appointed president Daniel A. Cotter to the board of directors and elected a dealer as chairman.

William Claypool III, owner of Claypool True Value Hardware and Variety in Needles, Calif., replaced Cotter—who died from cancer Aug. 28—as the co-op's chairman, only its second in 41 years. At its Sept. 1 board meeting, Cotter's directors established a policy of a rotating chairmanship, drawn from board members, but did not specify how long each term would be.

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Diamond Lumber puts 23 units up for sale; president resigns

By an NHCN staff editor

DALLAS — Diamond Lumber, still feeling the aftereffects of its bankruptcy travail, has put 23 of its 62 locations up for sale.

Diamond also announced the resignations of its president, Jerold Grubstein, and of Ralph Shapiro from the board of directors of Diamond's parent, Michigan General Corporation. Shapiro earlier had stepped down as ceo of the parent.

Grubstein, the fourth executive to leave Diamond in the last month, reportedly plans to start his own real estate business. He could not be reached for comment.

Acting Diamond ceo Bernard Kritzer, citing high interest on the company's $70 million it borrowed to get out of Chapter 11, said Diamond recently had to trim $2 million in overhead costs at the corporate headquarters here. It also realized substantial savings in early summer from the closings of seven Diamond

(Continued on page 62)

NHCN photo

Jerry Grubstein

Wholesaler-members to exhibit at NWHA's first national convention

By an NHCN staff editor

BOSTON — The National Wholesale Hardware Association will conduct its first-ever national convention here next month that will feature an experimental interplay between distributors and manufacturers, and a seminar instructing hardlines wholesalers on how to develop a building materials program.

The North American Hardware Convention, as it is being called, will be held Oct. 15-18. This is NWHA's first effort since it discontinued its cosponsorship with the American Hardware Manufacturers Association of the annual National Hardware Convention, which AHMA still runs.

NWHA expects a total of 1,000 people to attend its own event. As of Sept. 11, 75 distribution firms were sending a total of 170 delegates to the convention. Another 155 manufacturing companies were sending 350 delegates. There were around 400 other people—spouses, affiliate guests, etc.—also registered.

The association is turning the tables, so to speak, by having its wholesaler-members be the exhibitors during two "Contact Booth" sessions. Manufacturers will be allowed 10 minutes with each of the distributors they want to see, and the program allows for suppliers to visit up to 12 different wholesalers.

(Continued on page 62)

Suppliers wary as downsizing continues at troubled O'Connor

By Elizabeth Brent

BRAINTREE, Mass. — A troubled P. F. O'Connor, which started the year with 550 employees, is now down to 500 after it let go another 20 over the past three months.

The recent layoffs, coupled with the closure of the two Connecticut stores in August, are causing suppliers concern.

Like other New England retail companies, O'Connor is downsizing to ride out the area's housing slump.

"We're going through a trying time but have already taken major strides that are necessary to ride out the storm," said executive vp Austin O'Brien.

Its realignment will also prepare O'Connor for the arrival of Home Quarters Warehouse and Home Depot in Boston in 1990, and strengthen it against existing competitors, he said.

But unlike most other New England players, P. F. O'Connor's president, Patrick O'Connor, has had a previous bankruptcy. He filed Chapter 11 for Mr. Lumber in 1974. The memory of that bankruptcy has led at least one distributor to demand cash-on-delivery from O'Connor for any merchandise.

However, chain officials strongly deny that it is in any

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Buying & Selling

Section 3

Dealers, consumers not ready to keep pace with home automation growth

By Gary S. Ruderman

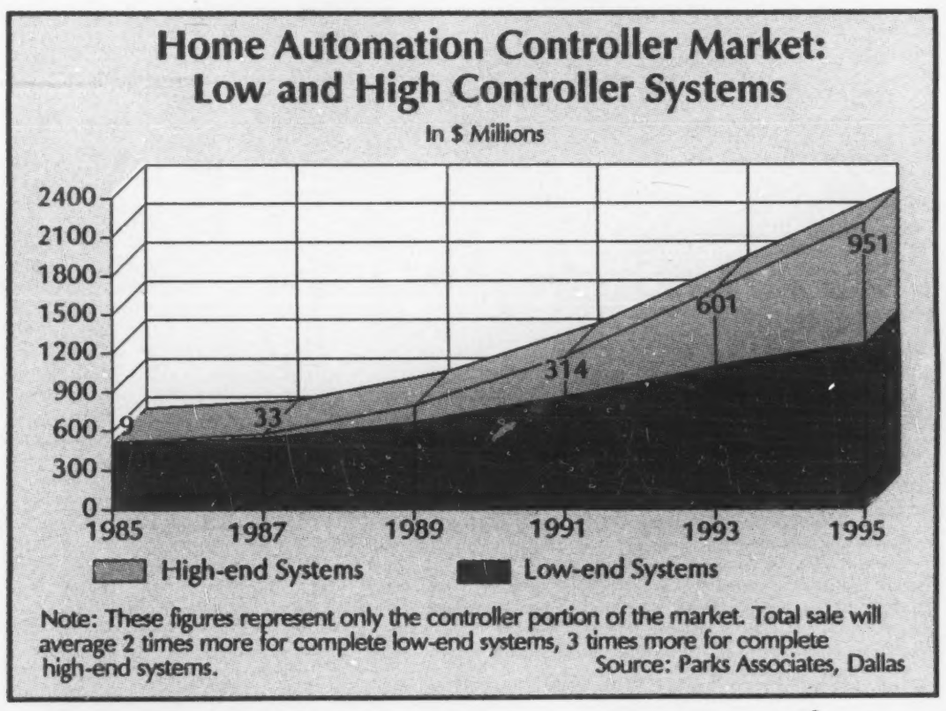
NATIONAL REPORT — Home centers and their customers aren't quite ready yet for the evolution that's coming in the home automation/home control category.

Granted that over the last two years sales of passive infrared motion detectors, setback thermostats, appliance and light control modules, base control units, telephone-coupled controllers and security systems have increased.

Product Analysis

Granted there are the three, high-tech SMART HOUSE ventures seeking to develop the "intelligent," fully automated home of the future. But even with support from vendors like Broan, Emerson Electric, General Electric, Honeywell, Kohler, Phillips Lighting, Schlage and Square D, that technology continues to be aimed at home builders.

If there is a future for this category at retail—and innumerable electrical suppliers are counting on it—then dealers are going to have to market the lines consistently, and consumers must decide to educate themselves about the technology.



Note: These figures represent only the controller portion of the market. Total sale will average 2 times more for complete low-end systems, 3 times more for complete high-end systems. Source: Parks Associates, Dallas

Future growth of home automation, say suppliers, depends on more consistent marketing by dealers and better consumer education about existing technology. NHCN chart

Granted home improvement retailers such as Hechinger, Handy Andy and even Sears have expanded the floor space dedicated to these products in their stores. But home automation is still being pigeon-holed primarily in the electricals department, and is rarely promoted.

Predictions unfulfilled

Since its introduction a little more than a decade ago, home improvement dealers anticipated that the home automation category would blossom into a broad offering supplied

(Continued on page 34)

Although many consumers are still skeptical of home security systems, dealers report that sensors and floodlights lead the category in sales. Courtesy Home Centers photo

DIYers seek easy installation, reliability from security systems

By Tim O'Malley

NATIONAL REPORT — Less than 10 percent of all U.S. homes have home security systems, which makes home security product suppliers excited about potential future sales.

However, home center dealers still express a degree of skepticism about the long-term prospects for the category in their stores.

"Whatever the key to selling these things is, we haven't figured it out," said Rick Dobratz, a manager of a Builders Square's Miami store. After a slew of returns from frustrated consumers, he has scaled down the number of burglar alarm manufacturers he carries from four to just one.

A recent survey of 400 upscale consumers conducted by Espion, a burglar alarm supplier that's just entered this industry, showed that two of those "keys" are reliability and simplicity of installation.

"[DIYers] want to know they can install it themselves and the alarm will sound when it's supposed to," said Jim Boudreau, vp-sales and marketing for the Newton, Mass., company.

Sensors and floodlights sell

The category, which has been sold in home centers for more than a decade, does have its winners. For example, while the smoke detector segment of the category is flat—about 9 million units were sold in 1988—both suppliers and dealers report that more sophisticated products are entering the market and selling.

"As people get older, they get more security conscious," noted Jerry Carlino, vp-marketing and sales for BRK Electronics, a division of Pittway Corp. in Aurora, Ill.,

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Product Preview:

New protection device from RAM uses radar

RAM, Beverly Hills, Calif., announces a new protection device that uses the principle of radar—the Radar Watchdog. This radar device detects any intruder's motion through solid objects, such as wooden or glass doors, windows and walls or fences. When set off, the Radar Watchdog automatically activates itself to emit barking sounds of a large police dog or Doberman ready to attack.

At first contact, the Radar Watchdog barks only once. When the intruder moves again, Radar Watchdog begins barking again and continues to bark as long as the intruder keeps moving in any way. When the intruder flees, and moves outside the preset 2- to 10-foot radar range, all barking ceases automatically, with no need to turn off the unit physically. No resetting is necessary. The Radar Watchdog weighs only 5 pounds and works on 110 volts or battery.

For more information,

contact RAM, 8306 Wilshire Blvd. #10, Beverly Hills, Calif. 90211, call (800)227-2001 or circle number 200 on the reader service card.

Buying & Selling

merchandising

Future of home automation linked to better marketing

(Continued from page 27)
by one or two vendors. That didn't happen. Dealers also expected consumers to be willing to buy whole-house automation systems. Except among the wealthiest of homeowners, that didn't happen, either.

Judging from warranty response cards returned to vendors over the last two years, Americans are stepping cautiously into home automation. They will buy a lamp control module first, spending around $29, and then add on.

That's the experience of Stanley Home Automation, which introduced its home control line last year. Consumers were willing to step in and buy $50 worth of products, not $500 to $600 at the start. Dan Meyvis, vp-marketing for Stanley in Novi, Mich., said that promoting add-on sales is his company's current selling strategy.

This Christmas, Stanley will introduce merchandising and a boxed set of one controller and one module—aimed at turning the Christmas tree on and off—at a suggested retail price of between $25 and $30.

Slow experimentation

There is evidence that consumers, once familiar with the products, will experiment. Warranty cards returned to X-10, the nation's largest supplier of home control modules, showed that two years ago Americans whose homes were equipped with home control had an average of 13 "automation" devices in their homes, split between about 3 controllers and 10 modules. Now, the 1.5 million American households with home control have 17 gizmos total, with the same ratio split.

"Consumers will spend if they're convinced it will enhance their lifestyles," observed Tricia Parks, president of Parks & Associates, a Dallas-based home automation consulting firm.

But not if using the automation is too technical, the very thought of which continues to scare people off and has left them oblivious to many of the newer home automation products on the market.

Peter Lesser, president of X-10 (USA), Northvale, N.J., observed that while video cassette recorders (VCR) are in 65 percent of U.S. homes, it's astounding the number of homes in which VCRs still flash 12:00 because users can't program the time clock.

The concept of programming something as simple as a setback thermostat "is really beyond the ability of most American consumers," said Lesser.

Even $3,000 to $10,000 high-end, custom-installed home control systems are having problems attracting a wide audience. Mitsubishi Co., the Japanese electronics giant, abandoned its attempts to sell a whole-house home control system in the U.S. earlier this year.

Future still bright

Despite the immediate failure of most home automation systems to make it at retail, Parks, the industry consultant, believes the category will eventually succeed because of Americans' natural fascination with gadgetry, as well as the demands of a dual-income household, which make automation more essential.

She figures technology from "contractor-installed" systems—such as those being sold by companies like Unity Systems— could gradually migrate to the DIY spectrum.

The future bodes well for new retail competitors, as experts expect home control specialty stores such as Automated Lifestyles in Toronto or California and Texas Security One and Security Plus units to thrive.

The future may also find different systems from various suppliers being able to "talk" and provide interactive functions, so that home security, say, is tied in with the rest of the power in the house and controls such things as air conditioning and appliances.

The prospects for something like this are evinced by the claim from one manager at Black & Decker's household products group that the company, which currently makes a home security system, expects to expand into home control products in the future.

Michael Coffey, president of the Home Automation Association, a Washington-based trade group, foresees the day when automation integrates appliances, security and other products to take advantage of lower-cost electrical rates.

Coffey concludes, though, with a caveat: "Engineers can design it and focus groups can tell you how great it is. But the $64,000 question is how you're going to sell it."

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Business Watch

stocks

Hechinger cites bad weather for first-ever earnings falloff

By an NHCN staff editor

LANDOVER, Md. — For the first time in 14 years, Hechinger reported a decline in quarterly income, and blamed Mother Nature as the cause.

Although sales for the 80-store chain were up 19 percent to $337 million over second quarter of last year, earnings fell by 35 percent to $9.8 million, or 27 cents per share.

For the half ended July 29, the company posted a 17 percent sales gain over 1988, to $612 million. Profits, however, dipped 17 percent to $20 million, or 55 cents per share.

In a prepared statement, Hechinger blamed record rainfall between February and June, which washed out lawn and garden sales, among other categories, for home centers in the South, Northeast and Middle Atlantic States. Hechinger's outlets are mostly in the latter two regions.

Also to blame for the earnings falloff, according to the company, was $1.6 million spent in the second quarter to upgrade the chain's merchandise presentation. The aim is higher gross margin products, and 67 stores have been remodeled to support this philosophy.

But one stock analyst who follows Hechinger was critical of the way in which the new design is being implemented. "They're increasing their kitchen and bath and housewares sections," said Dan Wewer of The Robinson-Humphrey Co. in Atlanta. "But they're not getting the merchandise into the stores fast enough."

Hechinger, meanwhile, announced plans to close its Charleston, S.C., store this month, saying the market is already served by its Home Quarters Warehouse subsidiary.

Home center stocks static

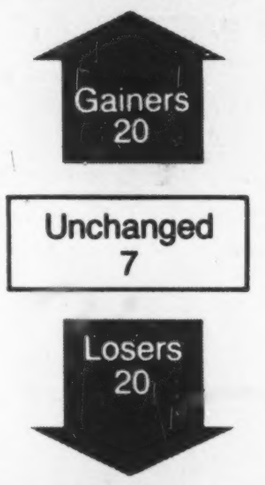
It was all quiet on the home improvement front, as there was little activity among public companies during the two weeks ended Sept. 8.

Single-digit percentage rises or declines were the norm for the 47 dealers, distributors and manufacturers tracked for *NHCN* by Media General, with a few noteworthy exceptions.

Among dealers, Wolohan Lumber's stock rose more than 17 percent to close at $20.50 per share. Wolohan recently was touted in a story appearing in the *Wall Street Journal* as a favored retail stock, and mentioned in the same breath as Home Depot and Hechinger, whose own stock prices were mostly unchanged.

For the most part, manufacturers also saw only modest movement, up or down, in their shares. Manville Corp., the Denver-based supplier, enjoyed the greatest gain—11.43 percent to $10.13 per share. And Catalina Lighting, which acquired another import company right after this period (*see page 13)*, saw its stock rise nearly 10 percent to $12.63. Mor-Flo Industries, the water heater company whose stock has been volatile all year, increased in the period by 9.5 percent to $5.75.

On the down side, American Woodmark, the New Jersey-based cabinet supplier, suffered a 16 percent price decline to $9.13, which also represented its low for the two weeks.



National Home Center News

HOME CENTER MARKET SUMMARY

Covering The Period 08/25/89 - 09/08/89

Company (Exchange)	Symbol	High	Low	Close	Change Amt	Change Pct	52-Week High	52-Week Low	Total Volume This Period	% Shrs. Outstanding	Average Daily Vol. Last 52 Week	Average Daily Vol. This Period	Last Fiscal Year	Latest 12 Months vs Preceding 12 Months Change Amt.	Latest 12 Months vs Preceding 12 Months Change Pct	5-Year Annual Growth Rate	Profit Margin	Latest P/E Ratio	Indicated Dvd. Rate Amt.	Indicated Dvd. Rate Yield	Last X-Dvd. Date	Last Fiscal Year Revenue	Last Fiscal Year Earnings	Current Ratio	Last Fiscal Year (Per Share) Long Term Debt	Last Fiscal Year (Per Share) Common Stock Equity	Last Balance Sheet Date
-	-	$	$	$	$	%	$	$	(100)	%	(100)	(100)	$	$	%	%	%	-	$	%	-	$ Mil	$ Mil	-	$	$	-
Retailers																											
Gen Bldg Prods (O)	GBLD	3.06	3.00	3.06	.06	2.08	5.25	2.75	125	.31	40	14	-.06	-.86	S -100.0	NC	-.3	NE	.00	.0	00-00-00	79.3	-.2	4.6	5.48	4.01	1188
Grossman's Inc (O)	GROS	7.63	7.25	7.38	.13	1.72	9.75	4.88	20,429	7.82	2,136	2,270	.50	-.02	S -3.7	NC	1.2	14.2	.00	.0	00-00-00	1141.6	13.2	1.8	6.15	3.88	1288
Hechinger A (O)	HECHA	16.63	15.88	16.13	-.63	-3.73	19.63	15.88	12,325	6.02	1,048	1,369	NA	NA	NA	NA	NA	NA	.16	1.0	07-31-89	NA	NA	NA	NA	NA	NA
Hechinger B (O)	HECHB	16.75	16.00	16.38	-.13	-.76	19.50	15.50	399	.27	71	44	1.30	-.05	S -4.2	14	4.8	14.4	.06	.4	07-31-89	1019.4	48.8	3.9	4.95	10.14	0189
Home Depot (N)	HD	35.88	33.25	34.25	-.13	-.36	35.88	16.94	16,659	2.19	2,218	1,851	1.00	.32	S 36.8	46	3.8	28.8	.12	.4	08-25-89	1999.5	76.8	1.7	1.45	5.16	0189
K mart Cp (N)	KM	44.25	41.38	41.63	-2.13	-4.86	44.88	33.75	76,632	3.84	6,792	8,515	4.00	.25	S 7.1	15	2.9	11.0	1.64	3.9	08-11-89	27301.0	803.0	2.0	14.78	25.13	0189
Lowe's Cos (N)	LOW	31.63	30.75	31.13	.00	.00	31.63	19.25	7,645	2.06	639	849	1.83	.21	S 12.1	3	2.7	16.0	.48	1.5	07-10-89	2516.9	69.2	2.0	5.12	15.80	0189
NHD Stores (O)	NHDI	8.25	7.75	7.75	.25	3.33	9.50	6.38	137	1.05	27	15	.79	-.09	S -13.4	9	1.9	13.4	.00	.0	09-16-86	51.4	1.0	2.1	4.07	7.14	0189
Natl Lumber (O)	NTLB	2.13	2.13	2.13	.00	.00	2.88	1.75	92	.16	40	10	-.82	-1.07	Q NC	NC	-3.0	NE	.00	.0	00-00-00	152.0	-4.6	1.2	.21	2.86	0189
Scotty's Inc (N)	SHB	16.25	16.00	16.00	-.25	-1.54	16.63	10.50	343	.23	247	38	.76	-.50	N -63.3	-21	2.0	55.2	.52	3.3	07-06-89	550.8	11.1	2.1	3.58	12.20	0688
Sears, Roebuck (N)	S	45.63	44.38	45.38	.63	1.40	48.13	36.00	43,014	1.19	8,965	4,779	2.40	-1.26	S -31.3	-7	1.8	16.4	2.00	4.4	08-22-89	50407.8	909.5	.0	26.15	37.75	1288
Std Brd Pnt (N)	SBP	17.25	16.50	16.50	.00	.00	19.38	11.75	1,318	2.30	372	146	.37	-.20	F -35.1	-27	1.2	44.6	.00	.0	08-11-87	304.4	3.7	2.8	28.85	6.65	0189
Strober Organiz (O)	STRB	6.25	5.75	6.25	.00	.00	10.50	4.50	1,066	1.75	59	118	.64	-.36	S -48.6	6	2.8	16.4	.00	.0	00-00-00	140.4	3.9	1.7	1.09	4.93	1288
Wolohan Lumber (O)	WLHN	20.50	17.50	20.50	3.00	17.14	27.00	14.63	3,800	6.45	208	422	1.92	.26	S 15.2	45	4.3	10.4	.28	1.4	08-28-89	257.8	11.2	2.6	4.79	9.02	1288
Wholesalers																											
Hughes Supply (N)	HUG	19.88	19.25	19.50	.13	.65	21.88	16.50	1,499	3.15	65	167	1.99	-.09	S -4.6	10	1.9	10.4	.36	1.8	07-31-89	501.9	9.7	3.0	15.72	18.88	0189
Moore-Handley (O)	MHCO	3.88	3.88	3.88	.13	3.33	4.75	3.75	1	.00	14	0	-.17	-.20	S NE	NC	-.5	NE	.20	5.2	10-03-86	99.7	-.5	2.0	3.18	5.96	1289
Manufacturers																											
Am Consum Prods (O)	ACPI	8.75	7.50	7.50	-.50	-6.25	11.50	7.50	500	1.92	15	56	.70	.01	S 1.4	NC	2.3	10.3	.00	.0	06-08-88	78.6	1.8	4.3	7.33	5.40	1288
Am Woodmark (O)	AMWD	10.00	9.13	9.13	-1.75	-16.09	13.75	9.13	354	.47	48	39	1.00	.17	Q 22.1	NC	4.7	9.7	.00	.0	05-24-88	158.1	7.5	2.3	3.65	5.41	0489
Armstrng Wrld (N)	ACK	47.88	45.88	46.63	-.88	-1.84	50.89	31.75	12,374	2.68	1,984	1,375	3.51	.02	S .6	18	6.1	13.3	1.06	2.3	08-07-89	2680.3	162.7	1.2	4.02	21.73	1288
Black & Decker (N)	BDK	24.88	22.63	24.13	1.38	6.04	25.25	18.13	27,654	4.71	2,759	3,073	1.65	-.11	N -7.3	4	4.3	17.2	.40	1.7	09-01-89	2280.9	97.1	1.7	4.73	12.38	0988
Boise Cascade (N)	BCC	48.00	45.00	45.50	-2.25	-4.71	48.00	39.25	15,277	3.42	1,509	1,697	6.34	1.42	S 26.9	40	7.1	6.8	1.40	3.1	09-11-89	4094.6	289.1	1.3	20.59	37.34	1288
Catalina Lghtg (A)	LTG	12.38	11.25	12.63	1.13	9.78	15.25	5.25	1,396	3.11	193	155	.41	.23	N 69.7	NC	4.1	22.5	.00	.0	00-00-00	26.9	1.1	1.6	.06	1.52	0989
Champ Intl (N)	CHA	36.88	33.88	34.25	-2.38	-6.48	37.75	29.50	22,211	2.33	2,987	2,468	4.80	.89	S 22.0	NC	8.9	6.9	1.10	3.2	09-11-89	5128.5	456.4	1.4	20.00	35.05	1289
Clairson Intl (O)	CLIC	7.50	7.44	7.44	.00	.00	7.50	2.75	678	1.33	201	75	.55	-1.03	N -100.0	NC	3.3	NE	.00	.0	00-00-00	82.0	2.7	1.8	3.54	3.89	0967
Cooper Indus (N)	CBE	36.38	34.75	36.00	.63	1.77	37.88	25.13	17,680	1.74	2,132	1,964	2.21	.46	S 24.1	21	5.3	15.2	1.00	2.8	09-12-89	4258.3	224.4	1.7	11.54	17.47	1288
DeSoto Inc (N)	DSO	42.75	37.50	41.25	3.25	8.55	52.50	32.25	3,140	7.78	398	349	.79	-2.16	S -100.0	NC	.8	NE	1.40	3.4	03-21-89	402.5	3.2	1.8	12.33	24.29	1288
Georgia Pacific (N)	GP	59.63	57.63	58.13	-.88	-1.48	59.63	33.25	26,291	2.77	2,469	2,921	4.76	1.70	S 38.7	44	4.9	9.5	1.40	2.4	08-07-89	9509.0	467.0	1.9	26.51	27.79	1288
La Pacific (N)	LPX	42.00	40.00	41.00	1.00	2.50	42.00	26.00	14,925	4.00	979	1,658	4.02	-.05	S -1.2	41	8.5	10.0	1.00	2.4	08-08-89	1799.4	153.6	3.3	9.92	30.51	1288
Macmillan Bloedel (C)	MMBLF	17.88	17.25	17.25	.00	.00	17.88	13.88	10,809	1.05	580	1,201	2.58	-.23	S -9.3	NC	10.1	7.7	.80	4.6	08-07-89	2743.8	276.4	.0	NC	NC	0000
Manville Cp (N)	MVL	10.13	8.63	9.75	1.00	11.43	10.13	6.38	7,740	1.96	NC	860	.79	.79	F NC	NC	4.7	12.3	.00	.0	00-00-00	2062.2	96.0	1.7	22.06	7.39	1288
Masco Corp (N)	MAS	29.88	27.50	27.88	.13	.45	31.13	23.63	36,202	2.32	3,084	4,022	2.10	-.05	S -2.6	16	11.8	14.8	.52	1.9	07-17-89	2438.6	288.3	3.0	7.30	11.30	1288
Mor-Flo Inds (O)	MORF	5.75	5.25	5.75	.50	9.52	7.75	5.00	187	.74	18	21	-1.11	2.74	S NE	NC	-1.3	NE	.01	.2	12-09-88	218.0	-2.8	1.8	12.85	14.06	1288
Newell Co (N)	NWL	44.88	42.50	43.63	-1.00	-2.24	46.50	22.38	3,797	1.29	551	422	2.18	.96	S 61.9	24	6.2	17.4	.88	2.0	08-09-89	988.2	61.4	1.7	6.56	11.19	1288
Nortek Inc (N)	NTK	8.63	7.88	8.13	-.38	-4.41	10.38	6.38	2,061	1.43	383	229	.90	.16	S NE	NC	1.1	NE	.10	1.2	06-30-89	1224.2	13.2	2.9	38.65	16.34	1288
Owens Corn (N)	OCF	36.88	35.38	35.88	.13	.35	36.88	19.50	9,135	2.27	1,184	1,015	4.71	4.88	S NC	NC	7.0	7.4	.00	.0	00-00-00	2831.0	197.0	1.2	32.73	-15.18	1288
Ply-Gem (A)	PGI	14.13	13.38	13.50	-.50	-3.57	15.00	11.38	820	.76	220	91	1.41	.15	S 16.5	13	4.1	12.7	.12	.9	09-14-89	383.7	15.9	4.0	7.71	9.37	1276
Pope & Talbot (N)	POP	27.75	26.25	26.50	-1.00	-3.64	29.75	16.13	3,493	2.96	262	388	2.68	.77	S 31.8	NC	6.2	8.3	.60	2.3	07-25-89	515.0	31.9	1.9	6.24	13.05	1288
Potlatch Cp (N)	PCH	37.50	35.13	35.38	-2.13	-5.67	38.63	29.00	1,949	.68	366	217	4.04	.87	S 24.6	33	10.4	8.0	1.04	2.9	08-10-89	1084.1	112.4	2.4	13.66	24.97	1288
PPG Inds (N)	PPG	45.13	42.25	44.13	1.63	3.82	46.00	36.25	16,600	1.44	1,670	1,844	4.26	.35	S 9.0	17	8.3	10.4	1.52	3.4	08-04-89	5638.7	467.6	1.5	8.00	20.48	1288
Rep Gypsum (N)	RGC	5.00	4.63	4.75	.00	.00	6.25	4.25	530	.53	64	59	.24	.04	F 20.0	-29	5.0	19.8	.20	4.2	08-25-89	48.1	2.4	3.4	1.09	3.16	0688
Sherwin-Wms (N)	SHW	34.38	32.75	34.00	.38	1.12	35.75	24.88	8,618	2.00	1,054	958	2.30	.09	S 3.9	13	5.2	14.2	.70	2.1	08-21-89	1950.5	101.1	2.0	3.01	13.97	1288
Stanley Works (N)	SWK	39.25	36.00	36.25	.50	1.32	39.25	24.00	5,659	1.32	994	629	2.40	.40	S 18.3	10	5.4	14.8	1.08	2.8	09-05-89	1908.0	103.5	2.7	7.93	16.31	1288
Thos Inds (N)	TII	19.88	19.50	19.50	-.50	-2.50	22.25	18.13	1,308	1.28	102	145	1.62	.02	S 1.2	5	5.1	11.5	.72	3.7	06-28-89	347.6	17.7	2.7	.00	12.25	1288
Union Camp (N)	UCC	41.38	38.75	39.00	-1.88	-4.59	41.38	31.00	10,668	1.55	1,607	1,185	4.25	.97	S 26.9	19	11.1	8.5	1.48	3.8	08-28-89	2880.9	296.2	2.4	9.13	22.66	1288
USG (N)	USG	4.63	4.38	4.38	-.13	-2.78	7.63	4.25	4,553	.84	1,539	506	2.38	-1.68	S -61.5	NC	5.6	4.2	.00	.0	00-00-00	2240.0	125.5	1.0	44.18	-27.26	1288
Waxman Inds (N)	WAX	9.88	9.50	9.88	.25	2.60	10.13	7.00	1,976	2.15	271	220	.80	.09	F 12.7	17	3.0	12.3	.12	1.2	09-01-89	241.4	7.3	2.6	3.63	2.27	0688
Weyerhaeuser (N)	WY	32.75	29.75	30.25	-1.88	-5.84	32.75	20.25	26,721	1.31	4,388	2,969	2.88	.41	S 16.7	27	5.6	10.6	1.20	4.0	07-24-89	10813.9	564.4	.0	16.55	19.86	1288

All Data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
RA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
e—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share
Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market
*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

BMA

(Continued from page 7)

Second, in the first quarter of this year BMA's management revitalized the company's research and development budget, with a focus almost exclusively on the repair and remodeling market.

Pursuing the remodeler

This is the segment of the market where BMA officials see their company's salvation as well as the growth of their dealers. But that's quite different from Ingram's thinking in 1985, when he told BMA's board of directors that the buying group was in danger of "maturing" if it didn't find new markets to exploit.

"At the time, we had two choices: the retail route, which was cheaper, or the repair and remodeling route," Ingram explained. BMA chose the former, which eventually led to its cross-marketing agreement with Coast-America, the franchised hardlines wholesaler.

In retrospect, Ingram now believes that BMA lost valuable time—and ceded market share to a number of its commodities broker competitors—by taking this direction.

To help lure more remodeler business, BMA is devising a number of programs, about which Ingram would talk only in general terms:

- A preferred contractor program, which will assist in identifying solid remodelers, "a lot of whom are now shopping at Home Depot on Saturday afternoon," said Ingram;
- The construction of "Selection Centers," where dealers can bring prospective homeowner-customers and show them such products as windows, doors, staircases and other millwork items in a realistic room setting.
- Within the next six months, BMA will open two 5,000-square-foot units that will offer project-oriented service only. (Ingram declined to identify which of BMA's members would be operating these units because "we haven't signed the leases yet.")

The purpose of these stores would be to offer customers everything they needed to complete a remodeling project: Estimating costs of materials and labor, setting up a contractor crew to do the job, and guaranteeing the finished product (BMA would act as the general contractor).

"The idea behind this is to have the builder concentrate exclusively on what he's good at—building—and leave the business side of remodeling—quotes, billing, project design, etc.—to the service unit," explained Ingram.

'Advantage,' BMA

A cultivation of the repair and remodeling market will be one impetus propelling BMA into the future. So will new dealer signups. With around 800 dealers, BMA added 43 in 1988, will add 25 this year and expects to grow at a 40- to 50-dealer pace through the 1990s until it plateaus at 1,200.

But getting dealers already in the fold to become more committed to the buying group's programs is the foundation of its growth strategy.

Right now, BMA gets about 95 percent of its sales (which are expected to expand 10 percent to $464 million this year) from half of its dealer-members. But that could change dramatically if BMA's "Advantage" program takes hold.

Essentially, this program is constructed to determine to what extent a dealer wants to support the buying group. It's also meant to simplify the way BMA relates to dealers so that "instead of offering 800 different programs for each dealer, we have three," said Ingram.

Level I dealers would be those interested in BMA only for buying at lower costs, and these would get the standard discount. But Level II and Level III dealers would be those who make much fuller use of the various buying, operations and marketing programs being offered by BMA.

"We want to take care of the dealers who support us," said Phil Johnson, director of building materials sales for BMA. "And I can tell you that on a given day, if I return from lunch with a stack of messages on my desk, the Level II and III guys are going to be the ones I call back first."

Ingram thought the potential for BMA's growth through the Advantage program was "huge," given the size of a typical BMA dealer, whose stores do $8 million to $10 million in annual sales, and buy about $5 million worth of merchandise.

BMA's marketing efforts will no doubt be directed at dealers such as Jim Delaney, who operates the three-unit Jordan & Bradley operation in Columbus, Ga. Delaney buys millwork from BMA, but also purchases other building products from ELMCO, the Wayne, Pa.-based co-op. He said his current relationship with BMA is Level I. "I guess my sales would make me a Level II or III," he said, "and I might move up to that.

"This is a vast improvement over what I've seen from BMA in the past few years," Delaney continued. "It looks like they are trying to make a comeback after the other buying groups have shot ahead of them. I think BMA has the personnel to succeed, but do they have the commitment?"

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Vol. 15, No. 20 September 25, 1989

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Dealers gird for 1990 with no recession fears

By Phillip M. Perry
Special to NHCN

NATIONAL REPORT — Relieved that a long-anticipated recession hasn't materialized during 1989 but nervous about the future, the home center industry is moving into the fourth quarter with slimmer operating expenses, more competitive shelf prices, new corporate structures and more aggressive sales techniques to invigorate earnings.

But with the continuing softness in the housing market—which still impacts many contractor-oriented dealers and particularly those in the Northeast—and the spotty performance of different sectors in the economy, home improvement retailers aren't predicting too far ahead about their companies' fortunes.

Many private sector economists foresee a recession on the horizon. But last month the Federal Reserve Bank forecast calm economic seas, indicating few if any surprises to disrupt the nation's business plans.

The Department of Labor's Producer Price Index (PPI) fell for the third consecutive month, meaning inflation has practically disappeared in categories such as building materials and hardware.

Home centers are benefitting from this economic stability, and some companies have thrived. The year's top home center performer has been The Home Depot, whose first half sales and earnings both increased 39 percent to $1.3 billion and $56.7 million, respectively. Comparable store sales popped up 11 percent.

Vendors skittish about dealer debt. See page 6

The Northeast, though, is trying to shake off a dormant housing market and dry off from a damaging wet spring.

East Coast still founders

"There are a lot of very important New York area lumber dealers who are stretched," says Susan Lockwood, a senior vice president with Lockwood Lumber in Yonkers, N.Y. "The Northeast is really hurting."

"June was a washout, and it's an important month in our industry," adds Douglas M. Cohen, vp-finance for NHD Stores, the 36-unit chain based in Stoughton, Mass.

Cohen says July and August have turned out better, and expressed "cautious optimism" for 1989 as a whole. First half sales increased 9.8 percent to $27.5 million, with comp-store sales up 4.2 percent. Earnings, though, fell 54 percent to $232,000.

Grossman's, too, had a rough time in the first half. Second quarter sales increased 4.2 percent to $343.9 million, but earnings dropped 10.4 percent to $10.6 million.

The 152-unit, Braintree, Mass.-based chain, which has been selling off non-Northeast stores over the past few months, had a six-month comparable store sales increase of 5.9 percent, which was "below expectations." Soft contractor sales combined with more competitive shelf pricing to pressure gross margins.

At General Building Products, a chain specializing in kitchen and bath products based in Medford, N.Y., chairman Bruce Meltzer cited the cyclical nature of the housing market as the No. 1 reason for a drop in revenues. "This is our first year of adjustment," he states. The resale values of some properties have declined as much as 20 percent in the region.

"We are in a period of very diligent

(Continued on page 88)

Payless vp-marketing moves into new post at Montgomery Ward

By Gary S. Ruderman

KANSAS CITY, Mo. — Dale Pond, an eight-year veteran of Payless Cashways who rose to senior vp-marketing and merchandising, resigned in late September.

Pond, 43, was slated to begin as senior vp-marketing at Montgomery Ward Oct. 9. He will be responsible for all corporate advertising and direct marketing activities, and report to Ward's chairman and ceo Bernard Brennan. His replacement at Payless had not been named.

Pond, whose salary at Payless was reportedly $170,000, began his affiliation with the chain as an executive with Bernstein Rein Advertising, the Kansas City, Mo., agency which handled Payless' account.

He was hired as the retailer's vp-advertising in 1981. In 1986 he was named senior vp-marketing and advertising. In a power struggle two years ago, Pond was named Payless' senior vp of marketing and merchandising as longtime Payless

(Continued on page 90)

HUGO WREAKS HAVOC FOR HOME CENTERS.
When Hurricane Hugo stormed onto the southeastern U.S. on Sept. 22, Charleston, S.C., became Ground Zero. The Hurricane caused an estimated $1 billion damage in that historic city alone and many area home centers had their businesses disrupted and their stores damaged. Lowe's store in the Charleston area had its front windows blown out, but it was still open for business.
For coverage of the Hurricane and its aftermath, see page 7.
Photo by Brigid Schulte, *The Island Packet*

Church's targets the DIY decorator with new store design

By an NHCN staff editor

BRIGHTON, Mich. — For Church's Lumber, a recently opened 27,000-square-foot store in this suburb northeast of Detroit represents a new phase in the chain's attempt to meet the competition for consumer dollars.

The store has a new look, new departments, and by the use of more attractive displays, is pursuing a third category of customer—people interested in decorating, rather than in building and repairs.

"The store is more upscale than other stores, with departments such as fancier hardware," said Barbara Lewis, a spokesperson for the retailer. She added that a display of window treatments is located in the center of the store.

Bill Church, Church's president, makes the first purchase at the chain's new prototype store in Brighton, Mich. Photo courtesy Church's

To target the DIY decorator, the store, which opened officially Sept. 9, has new departments for wallpaper, customized paint, custom blinds and shades, and closet storage units.

Speaking of the new target customer, Lewis said that "this seems to be the direction the industry is moving. And Church's is competing with larger stores, such as Builders Square, where it's easier to buy everything in one place."

Creating a distinct look

"The main idea is to generate a prototype facility for an enhanced image in the market," said Doug McFerren, architect for the store and director of project administration for the architectural firm of Treacy, Insinger and McFerren in Auburn Hills, Mich.

The Utica, Mich.-based chain is try-

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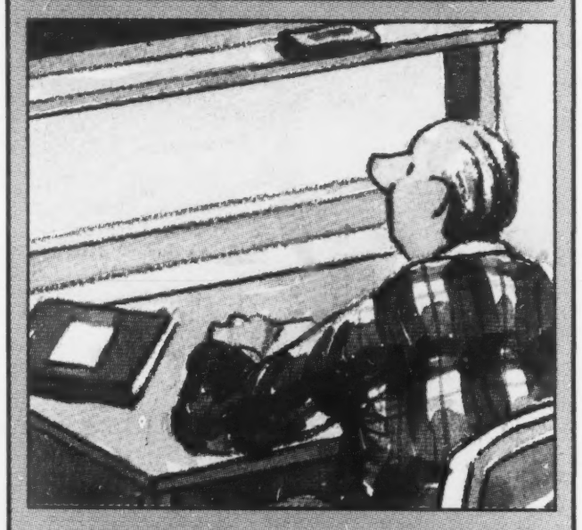
PERSPECTIVES



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INDUSTRY UPDATE

Scott Westlake to start new chain

KANSAS CITY, Mo. — Scott Westlake, former president and ceo of Westlake Hardware, plans to open a chain of hardware stores next year called Hardware Station.

The 37-year-old Westlake, who resigned last February from the family-owned, 74-unit chain, is seeking investors for the $3 million first phase of the chain: six stores in Kansas and Missouri by the end of 1990. Westlake said he would like to enter the Texas and Atlanta markets with six stores each, and eventually grow each market to 15 stores.

Westlake described the proposed 15,000-square-foot stores as "pure hardware," with deep offerings in basic hardlines, paint and tools but no housewares.

Westlake would not comment on any no-compete contract he might have signed with the chain before resigning. Westlake remains the Westlake chain's largest shareholder but does not have majority control.

The Kansas City *Star* reported last month Westlake was considering another retail venture, high-end garden tool stores called Latdhaw Garden and Leisure Co.

NHD unit opens in Maine

STOUGHTON, Mass. — NHD Stores will enter the Maine market on Oct. 26 with the opening of its Lewiston store, situated about 40 miles north of Portland.

The 15,000-square-foot unit will be located in the Promenade Mall in a former Shaw's supermarket. The store will follow the company's prototype of super hardware stores but will also carry a broader line of winter products to cater to the harsh Maine climate.

The company plans further expansion in Maine, and hopes to "saturate both Portland and Bangor with an unspecified number of stores," according to Jerry Goad, executive vice president of NHD.

This will be the company's 36th unit and its fifth New England state. It also operates in Massachusetts, Rhode Island, New Hampshire and Connecticut.

National gets infusion of credit

FOUNTAIN VALLEY, Calif. — The day before reporting a net loss of $2 million on sales of $73.9 million for the first six months of fiscal 1989, National Lumber & Supply said it received a new $13 million line of credit from a Pennsylvania-based lender.

Fidelcor, Rosemont, Pa., provided the new funding, which replaces a $10 million line provided by Security Pacific, of which $7 million is still owed. National plans to use the Fidelcor money for working capital and cash flow. Its expenses include the opening of its 21st unit on Nov. 10 in Oceanside, Calif.

National's business has faltered of late. For the first six months ended July 31, sales fell nearly 8 percent. The net loss equals a loss of 36 cents per share.

Jim Carnavale, National's cfo, laid the company's losses on a drop in consumer spending in the southern California market and competition from Builders Square, Home Depot, HomeClub and Builders Emporium. He said National is changing its ad mix to save money and will cut expenses and salaries.

Ward White to sell auto parts div.

SAVANNAH, Ga. — Boots, the British company that took over Ward White plc in a hostile takeover last month, has retained investment banker First Boston Co. to help it sell off Ward White's American auto parts division that includes the Whitlock, Rose and R&S/Strauss chains. Combined, these assets form the seventh largest retailer in this industry.

In a separate move, Ward White also intends to sell off its other American assets that include Wiener Enterprises, in which Ward White holds a majority stake. Wiener operates the 12-unit Builderama chain here. Jim Smith, Builderama's general manager, told *NHCN* his company was scheduled to meet with principals from the parent company to discuss the chain's future on Sept. 28.

Sawhorse taken to the glue factory

By an NHCN staff editor

LAGRANGE, Ill. — Not even three years old, Sawhorse Home Centers is liquidating inventory in its four stores and is expected to close in the beginning of October.

In mid-September Jim Gee Jr., president of Sawhorse, said the retailer had already begun assignment of assets to creditors, although there was no formal protection from its creditors.

Gee said the stores were holding flea market sales and were cutting staff and salaries to raise cash. Stores in Glen Ellyn and Villa Park, Ill., were closed in September. The remaining Broadview and LaGrange, Ill., units will be shuttered by mid-October, Gee said.

NHCN photo

Jim Gee Jr.

He said there is a chance that his son, a local contractor, might purchase the Broadview store,which serves a predominantly contractor base. Other properties, held in a Gee family trust, are pledged to banks.

Broke away in 1986

The main LaGrange store will become a Gee Lumber and Hardware unit again. Gee is the son of Jim Gee Sr., who owns the 10-store Gee Lumber & Hardware Co., with estimated sales of $20 million. Gee split from his father's enterprise in late 1986 to open

(Continued on page 90)

PPG buys Olympic Homecare in key move to boost home center sales

By an NHCN staff editor

PITTSBURGH — PPG Industries sees its agreement last month to acquire Olympic Homecare Products as "proof" of its commitment to the architectural coatings business, something retailers haven't always been that sure of in recent years.

"In the past we've been questioned about 'are we for real' in this part of our operations, and we've done some things that haven't worked out," admits Ernest A. Hahn, director of planning and development for PPG's $2 billion coatings and resins group, into which Olympic Homecare's business will be folded. "This [purchase] should confirm to the industry our commitment."

If this deal doesn't hit any roadblocks, PPG will pay Clorox Co. $130 million for its coatings division, which markets Olympic Stain, perhaps the best-known stain brand in the United States, and Lucite Paint.

The Oakland, Calif.-based Clorox put Olympic Homecare, based in Bellevue, Wash., on the block in June because it wants to concentrate on marketing its core household product lines.

Entree into home centers

PPG officials believe these two paint and stain brands are its ticket into the home center and mass merchant markets, which PPG so far has not been able to make a dent in.

A few years ago, PPG divested itself of its chain of specialty paint stores. And "with

(Continued on page 88)

Cilluffo wins control of Amdura; turns focus solely to hardlines

By Tom Neven

DENVER — The new management of Amdura Corp. here intends to reinforce that company's hardlines distribution businesses and reduce debt by selling off its manufacturing arms.

After an acrimonious battle, Frank J. A. Cilluffo has won the hearts, minds and proxy votes of Amdura's shareholders. He got consent of 50.4 percent of those stockholders, and on Sept. 19 promptly dumped Amdura's president and ceo and replaced its entire seven-member board with associates more to his liking.

Cilluffo has retained the services of investment banker Morgan Stanley to investigate a possible selloff of the company's Crosby Group, which makes fittings for lifting equipment, and Harris Group, a manufacturer of waste management equipment.

These divisions were a distraction from the company's new hardlines distribution emphasis, and the sale will help Cilluffo in returning Amdura to profitability and paying down a hefty debt that resulted in part from its acquisition of CoastAmerica, the franchised wholesaler.

The success of that effort will hinge on how well Amdura's distribution divisions fare. These include Coast; Farwell, Ozmun & Kirk (FOK), a hardlines wholesaler; and Globe Distributors, an automotives wholesaler.

This division recently got a boost by signing an agreement with Sears and Caldor to distribute automotive aftermarket products to their retail stores. The $25 million deal,

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EDITORIAL

Investors fuel retailers' leap into the '90s

The bankers are getting itchy.

In the wide world of retailing, the big story is the future of the Allied-Federated Department Stores empire, which was built—and underfinanced—by Robert Campeau. Campeau is out and the Reichmanns, with a $250 million loan, are in.

Ken Schept
NHCN Editor

Similarly, in our own little corner of the retail world, investors have installed new management at Wickes Lumber, Rickel and, most recently, Channel. This development might understandably cause concern in an industry whose collective memory includes the Wickes Cos.' and Evans Products' bankruptcies.

On balance, however, these changes are more reassuring than alarming. Hurricane Bernie still threatens to inflict a lot of damage when it rips up the East Coast, but at least precautions are now being taken because investors have too much at stake to turn away.

For Channel and Rickel, in particular, weathering the storm requires that companies, positioned for the 1970s, now leapfrog into the '90s.

Large doses of imagination and risk are required to accomplish this feat. But the exercise, if successful, has important implications. It could produce new formats that will take the industry into the next decade. Of course, investors and their new managers could simply try to count the beans better than their predecessors. But that approach would be fatal.

After all, Channel and Rickel are probably among the industry's best bean counters. Given recent circumstances, they had little choice. The companies were highly leveraged during a period of slower sales and heightened competition.

But for the new management to simply control expenses would be like treading water with a tidal wave approaching. Fortunately, that doesn't seem to be the case.

First, it appears that merchants, not accountants, are being put in charge of shaping the changes at the companies I've mentioned.

Second, after several years of nail biting over the success of warehouse stores, many companies seem again ready to be assertive.

Lowe's is a good example. For most of its 70 years, the company focused on builder sales and only in the last few months shifted priorities to embrace consumers first.

Its new large-store program and corporate restructuring represent an unequivocal redefinition of the company's approach to the market.

Similarly, Hechinger is experimenting with warehouse-type presentation after cultivating a reputation as the world's most unusual Bloomingdale's.

These companies realize that yesterday's answers may not be tomorrow's. The good news is that, as this explosive decade draws to a close, they're not alone.

To the extent the bankers support this new spirit, their heightened attention may ultimately serve the industry well.

—Ken Schept

COMMENTARY

Vendors on the warpath for shelf space

If retailing is like war, it's beginning to resemble World War I as its battles are now being fought over mere square inches of enemy territory.

The best weapon to date in this war over shelf space has been computer software that allows a vendor to prove to a dealer how his product will maximize profits.

Tom Neven
NHCN Senior Desk Editor

This idea has been taken to its logical extension with a new program—appropriately called "Sniper"—that allows one vendor to pick off his competition with a Direct Product Profitability (DPP) analysis of his product *and* the other guys'. There's no blood in the aisles yet, but I'm sure it's only a matter of time.

But that battle for shelf space—especially the way retailers have been exploiting it—has the potential to backfire on those who started the war.

For an example, we need look no further than the grocery industry, which is the largest segment of retailing in America. It's fair to say that as food retailing goes, so goes the rest of retailing. Computerized inventory and bar code scanning are the most obvious examples that were pioneered by supermarkets. A few home centers are even bringing in supermarket veterans to teach them how to sell more in less space.

The latest permutation of the shelf-space war among grocers is the "slot fee." This controversial development has retailers demanding fees to put a vendor's product on the shelf. The more money, the more space. Mega-companies like Coca-Cola and General Foods have no trouble coming up with the cash. But small vendors are finding themselves squeezed out of lucrative markets because of what is in effect legalized extortion.

Grocers deny the extortion charge by citing the high cost of bringing a new product to the consumer. Shelves must be cleared, warehouse space must be opened up, etc. More than likely, however, it is the tight margins they face—1 percent on average—that force the grocers to look for money anywhere they can get it. Slot fees are a profit center.

As home center competition gets hotter and as margins erode, dealers in this industry will have to find their own additional sources of income. Currently, they hammer vendors for co-op advertising dollars, training dollars, and merchandising assistance. Buybacks are a major sore point between manufacturers and retailers. Can slot fees be far off?

The problem is that the ultimate loser is the customer, in that all these costs are eventually passed on to him. Moreover, the consumer is not served if the best-financed product, as opposed to the best product, is what gets stocked. As retailers spend more time making vendors jump through hoops, they spend less time looking for what customers want. And the small manufacturers, frequently ones with great ideas and products, are left high and dry.

To be sure, this is not a necessary development for our industry. There are important differences between grocery stores and home centers. Supermarkets face a deluge of new products every year, four fifths of which ultimately fail, according to Timothy Hammonds of the Food Marketing Institute, a retail trade group. Also, grocery stores tend to be smaller than the typical home center. So take this as a cautionary tale.

After all, if you want to wake up screaming, think about the latest variation on the slot fee—the "failure fee." If a product doesn't meet sales expectations, the vendor has to buy it back *and* pay a punitive charge. Call the medics, the war just escalated.

—Tom Neven

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Japan Diamond-Friedman Ltd., Chain Store Age News, Japan, 1-4-2 Kasumigaseki, Chiyoda-ku, Tokyo, Japan, 504-6750

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"My wife hates the smell of paint but loves my after-shave, so mix this in, will y[illegible]?"

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Perspectives

systems & operations

FTC shifts standards on state regulated trucking rates

By Ken Rankin

WASHINGTON — Building material dealers and their suppliers face fresh uncertainty over transportation costs as a result of shifting Federal antitrust standards governing state motor carrier rate bureaus.

In its latest trucking industry policy promulgation, the Federal Trade Commission ordered the New England Motor Rate Bureau to withdraw all freight tariffs which it had established for motor carriers in Massachusetts and New Hampshire.

At the same time, FTC antitrusters gave a clean bill of health to bureaus which employ identical collective rate setting procedures in Rhode Island and Connecticut.

At issue is the legality of tariffs set by rate bureaus, private associations of competing motor carriers which collectively agree on freight rates and file them for approval by state regulators.

FTC antitrusters launched a series of investigations into the activities of these bureaus during the early 1980s, and followed through by charging several of these groups with illegal price fixing.

In ordering a halt to collective rate making in two New England states while allowing the practice to continue in two others, the FTC advanced a complex "state action doctrine" to evaluate the legality of such activities.

State supervision stressed

Although motor carrier rates jointly set by representatives of competing firms clearly indicate price fixing, the FTC said such antitrust violations are immune from Federal challenge if they meet both parts of a "two-pronged" test:

- There must be a "clearly articulated and affirmatively expressed" state policy to rely on regulation (*e.g.*, motor carrier bureau rate setting) rather than competition; and
- The price fixing or other anticompetitive behavior must be "actively supervised" by state officials.

In both Rhode Island and Connecticut the FTC found that both tests had been satisfied. In Massachusetts, however, the Commission concluded that the state's Department of Public Utilities merely rubber stamps the rates set by the bureau, and therefore does not "actively supervise" this process.

New Hampshire, meanwhile, failed the first "prong" in the two-part standard because its officials "lacked the statutory authority to suspend or reject rates for being unjust or unreasonable."

The next stop will be the courts, where FTC's new ground rules for rate bureau activity will come under extensive scrutiny.

Study looks at reasons people in home center industry switch jobs

By an NHCN staff editor

NATIONAL REPORT — Dissatisfaction with the company ranks higher than pay as the most important reason why home center executives look for new jobs.

More than two in five industry executives responding to a recent survey of the home improvement industry cited disgruntlement with their employer as a reason for looking toward greener pastures. Interestingly, half of the store and general managers (50 percent) said dissatisfaction moved them to look for new jobs, compared to only one out of five district or regional managers who cited this as a reason.

These findings are part of a study conducted by Lebhar-Friedman Research, the research arm of *NHCN*'s parent Lebhar-Friedman. It assessed reasons why 185 industry officials decided to go job hunting over the past two years.

Among all respondents, 41 percent were prompted to move because of lack of responsibility or opportunity for advancement, while 31 percent said pay and benefits figured into their decision to change jobs.

Norman Zarkin, the managing partner of E. J. Rhodes Associates, an executive search firm that deals largely with the home center industry, said he sees the number one reason for leaving a company as a lack of future.

"They know in their heart of hearts that they're not promotable," Zarkin said.

What do they look for?

But deciding to change jobs is only one part of the equation. The Lebhar-Friedman survey also asked what things executives look for in prospective companies.

Among all respondents, opportunity for advancement was the single most important factor to consider when changing positions in the industry.

Coming in a close second, respondents named a company's reputation as an employer (80 percent) and its financial stature (71 percent) as other important factors.

Zarkin said, "There's a growing paranoia in the industry that a company won't exist in a few years. The higher up the official, the more important this becomes."

Surprisingly, salary and benefits rated relatively low among dealers responding to the Lebhar-Friedman survey. Less than two-thirds of the respondents described these as "very important" considerations in looking for a new position.

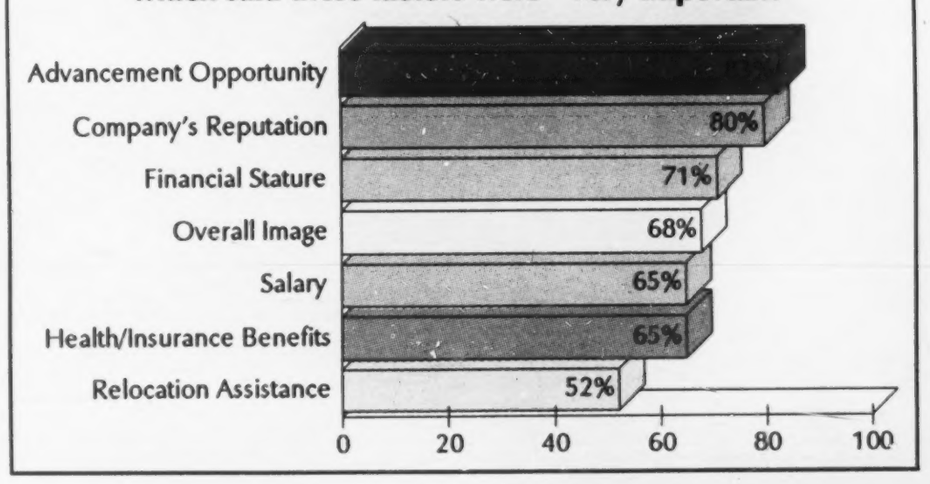
But Zarkin said he sees a growing trend among higher-level executives who consider "lifestyle" issues when looking for a job in a new location. Among these are such things as cost of living, culture, climate, safety, and educational and recreational facilities.

The least important factors in choosing the prospective new company, according to the study, were its size and the customers it serves.

When it comes time to look for a job, most home center executives relied on a network of friends or acquaintances in the industry. Four out of five used this network at some point in their search, and 35 percent went this route as their first step in the job hunt.

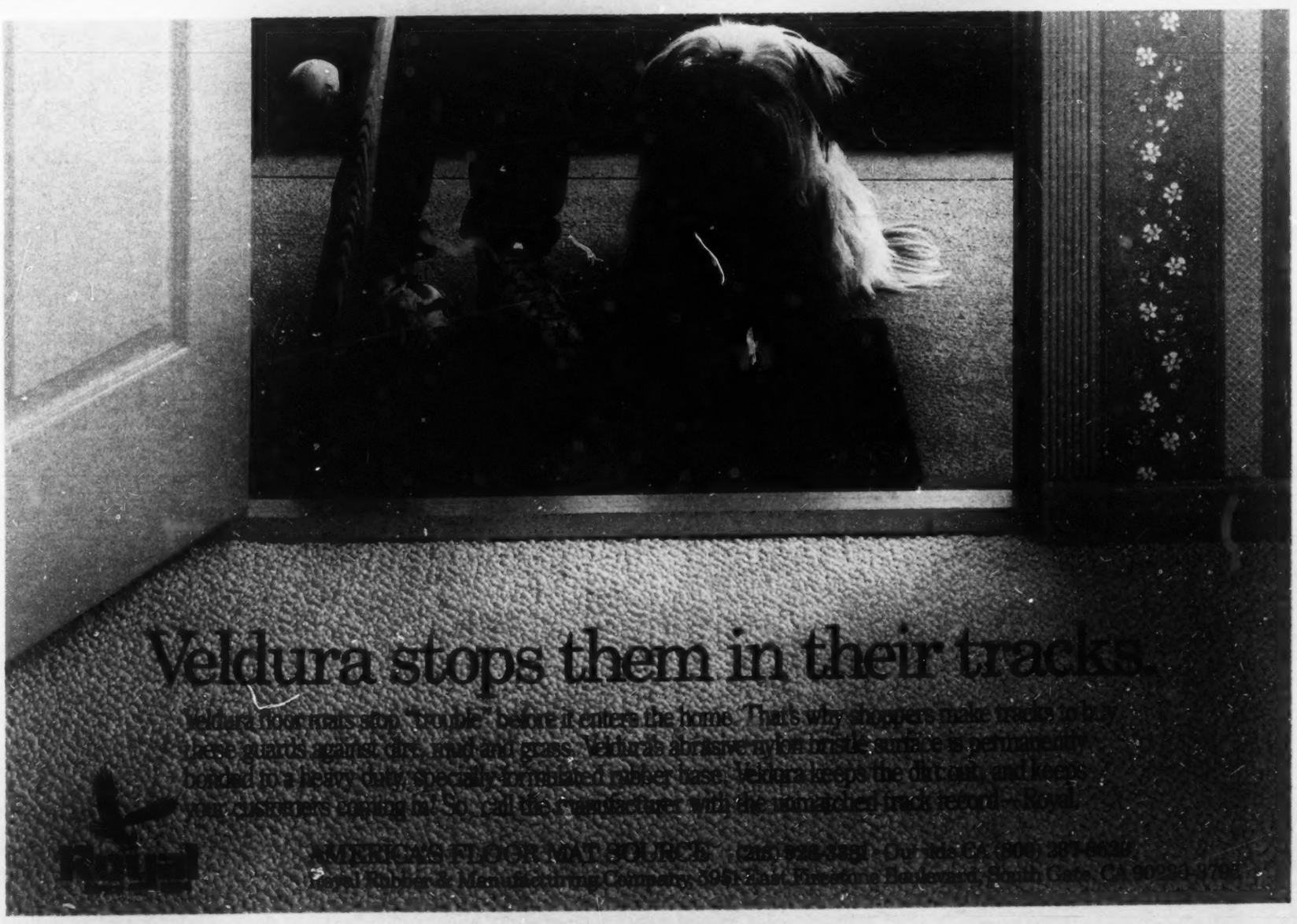
Seventy-two percent used classified advertising in trade journals, and 70 percent contacted the personnel departments of companies they were interested in.

In looking for a new job, percentage of respondents which said these factors were "Very Important"



All steps taken when considering job change		The first step taken when considering job change	
Contact friends/acquaintances in the industry or in the company I want to work for	80%	Contact friends/acquaintances in the industry or in the company I want to work for	35%
Read recruitment ads in industry trade publications	72	Contact an employment agency/ search firm	17
Contact personnel departments of prospective employers	70	Read recruitment ads in industry trade publications	17
Contact an employment agency/ search firm	55	Contact personnel departments of prospective employers	14
Read recruitment ads in newspapers	54	Read recruitment ads in newspapers	4
Attend job fairs	18	Attend job fairs	0
All other	4	All other	1

NHCN charts Source: Lebhar Friedman Research

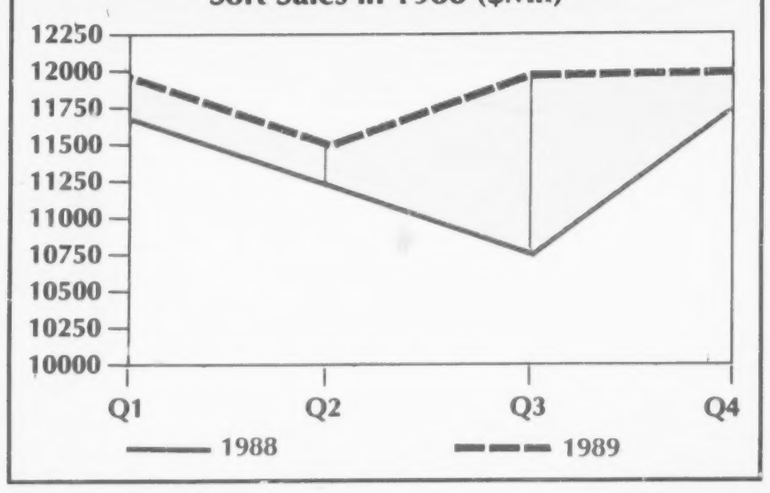


Circle 27 on Reader Service Card

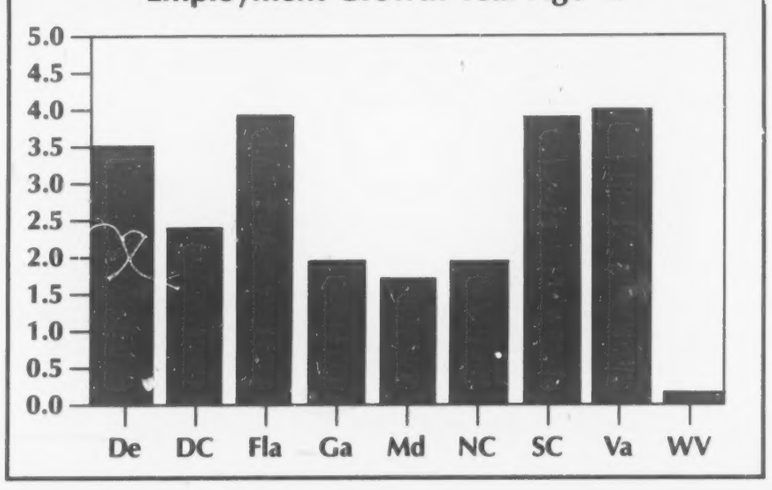
Business Watch

Section 4

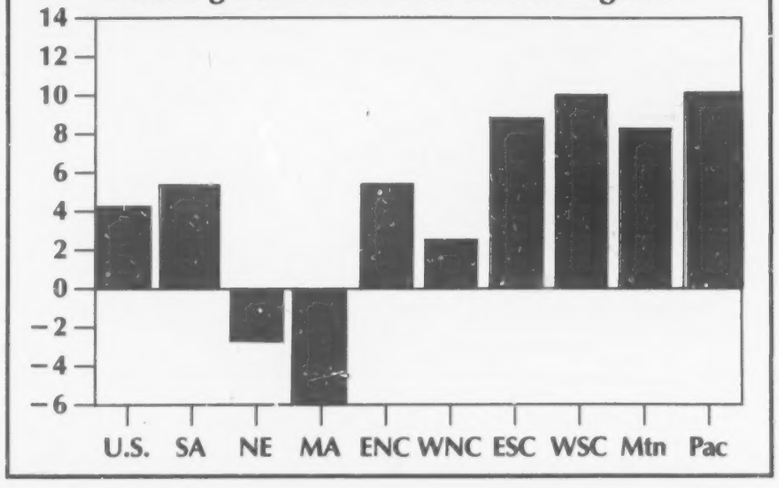
Weakness last year . . .



. . . and moderate income gains . . .



. . . will boost sales in 1989.



The South Atlantic economy outpaces nationwide gains

By Richard Mount
Special to NHCN

Building material sales in the South Atlantic states are expected to increase 5.3 percent this year, slightly stronger than the 4.3 percent national gain. Adjusted for inflation, the unit volume of sales should be up 1.1 percent. However, the health of the local economy is only equal to the national average.

The gain in building material sales will be concentrated in the third quarter of 1989. Last year, the third quarter declined 5.2 percent from the second, so year-over-year gains in the third quarter of 1989 could be as high as 11.9 percent. Through the first half of the year, sales were up only 2.7 percent.

Richard E. Mount

Employment gains in this region are the same as the national increase, up 2.8 percent from last year. For trade, the regional gain is a stronger 3.8 percent. In comparing the growth in employment among the South Atlantic states, it is important to remember that the average for New England is only 0.9 percent and the Middle Atlantic states is 1 percent. Employment in the second weakest South Atlantic state is higher than the strongest in either New England or Middle Atlantic.

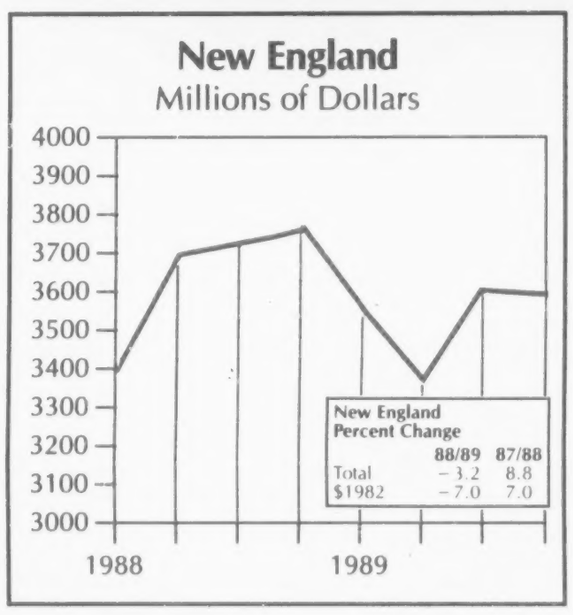
Virginia is enjoying the strongest employment gains in the region, up 4.1 percent from a year ago. Retail sales have been soft; building activity, though, has been strong with construction employment up 7.3 percent.

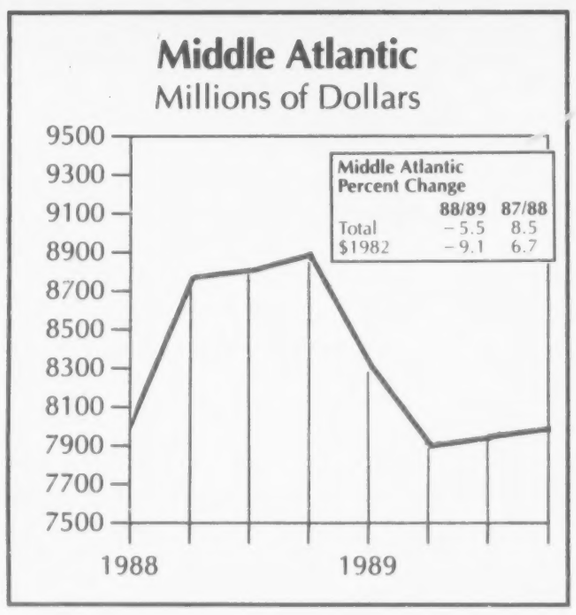
Florida enjoys the second strongest employment growth; however, building activity is down 0.2 percent.

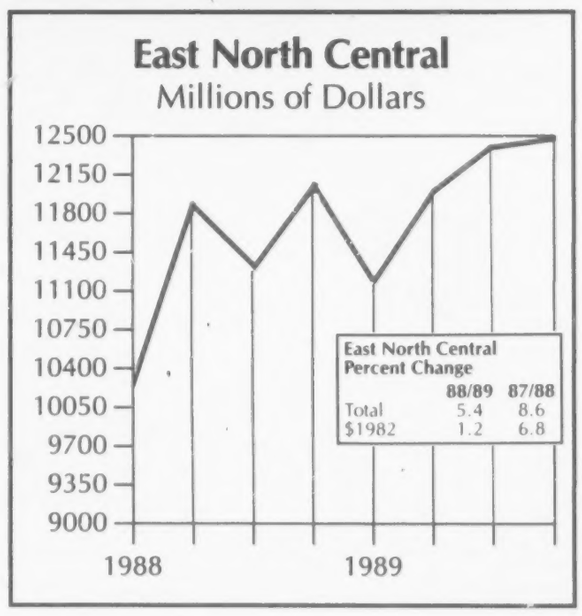
For building material retailers, strength in South Atlantic employment suggests sales gains in 1989 above the national average. However, this gain will be due more to weakness in the third quarter of 1988, not strong demand in 1989.

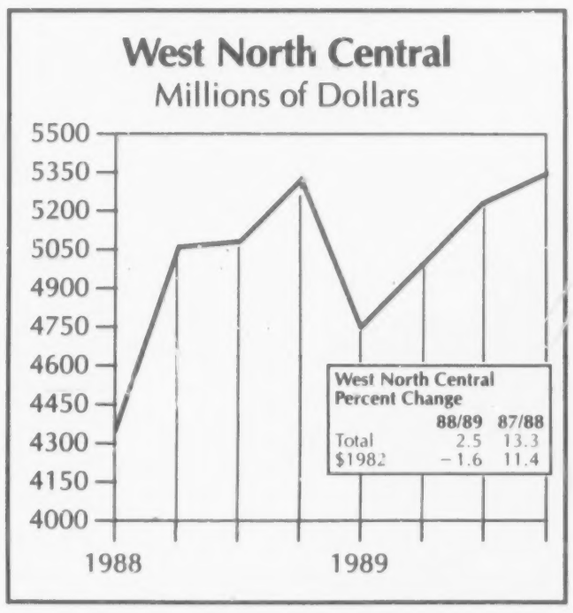
Richard Mount is president and chief economist with Mount Economic Consulting.

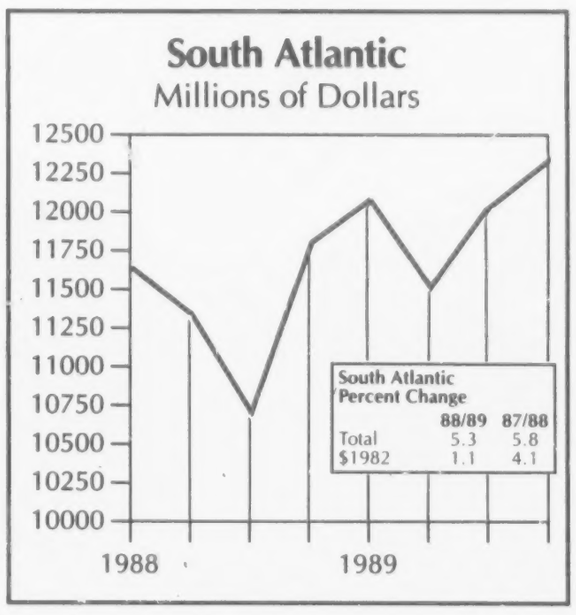
Regional Outlook: Building Material Sales

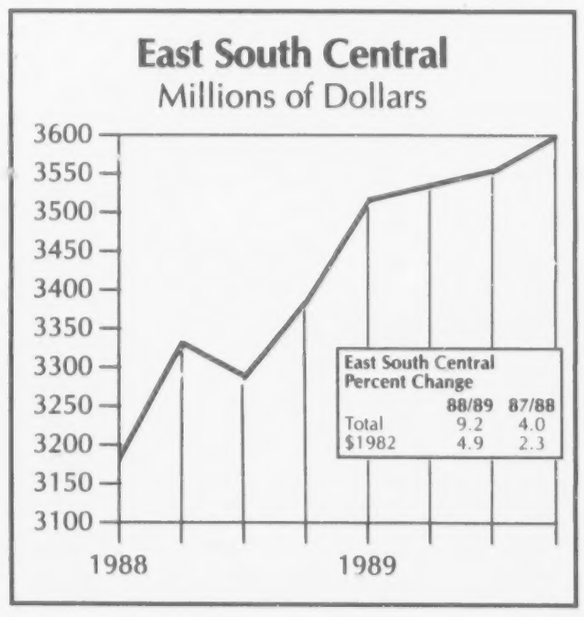


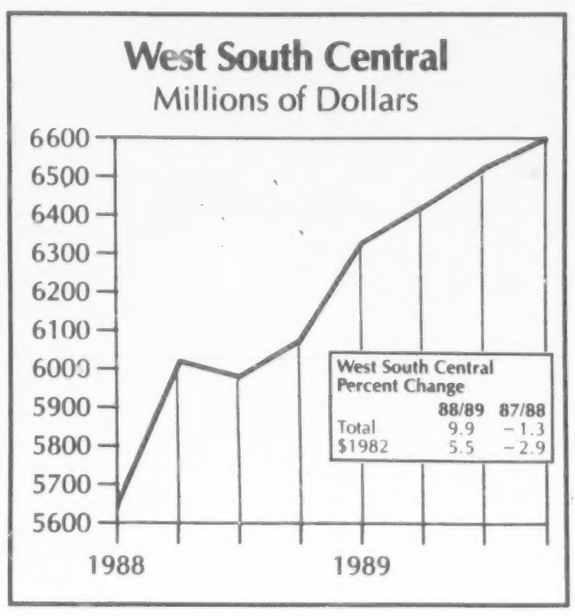


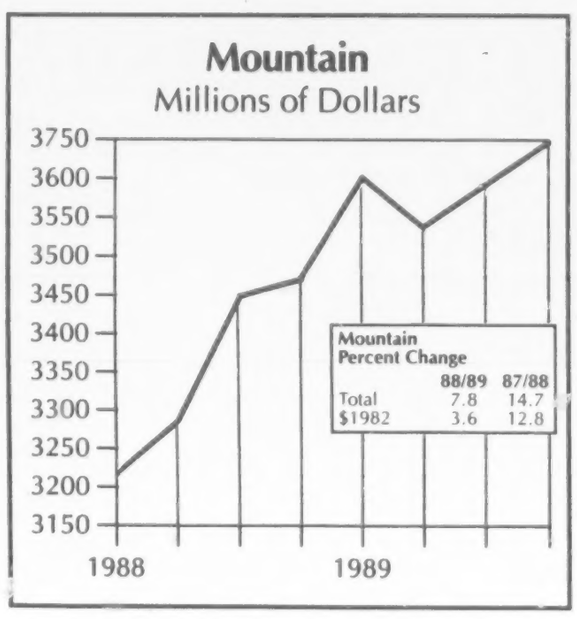


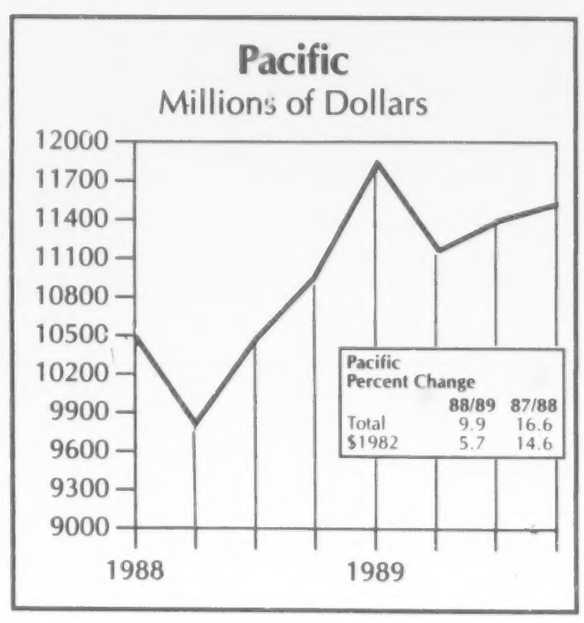












Data: Dept. of Commerce
Bureau of Labor Statistics
National Association of Realtors
Dept. of Housing and Urban Development

The Home Center Industry Outlook runs in two parts, one each month. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material and supply store sales.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart

Business Watch

stocks

Payless Cashways reports pick up in sales for third quarter

By an NHCN staff editor

KANSAS CITY, Mo. — Payless Cashways, the 195-unit chain based here, saw its sales increase 6.8 percent to $562 million for the quarter ended Aug. 26.

That's much faster growth than the chain has enjoyed throughout the year, as the company's volume through the first nine months of fiscal 1989 had grown by only 3.7 percent to $1.5 billion.

Comp-store revenues for units opened one full year grew by 7.2 percent in the quarter but only 2.8 percent for the nine-month period.

Payless officials continue to point to the chain's cash flow as an indication of its health following the leveraged buyout of the chain last year by its management. And using that barometer, Payless' third quarter earnings before interest, taxes and depreciation (EBITD) rose 26.2 percent to $48.1 million.

The most recent figure doesn't include a one-time special charge of $12.3 million that's associated with Payless' post-LBO restructuring. In addition, the third quarter results include a charge of $2.8 million "in connection with an early extinguishment of debt," according to a prepared statement.

Its year-to-day EBITD figure of $124.1 million is 22 percent higher than the comparable total in 1988.

Taking the costs incurred from the LBO into account, Payless reported a third quarter loss of $6.8 million and a $25.5 million loss for the nine months.

This compares to a $13 million loss for what Payless has calculated to be a comparable 13-week period in 1988, and a $9.2 million loss during a 39-week stretch in 1988.

Stocks hit by a wipeout

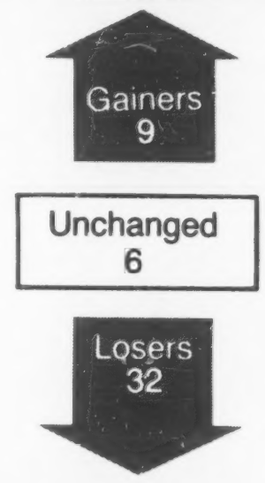
The two weeks ended Sept. 22 were mostly a wipeout for publicly held home improvement companies. Thirty-two of the 47 firms tracked for *NHCN* by Media General showed declines in their stock prices; another six were flat.

Among retailers, the biggest drop was experienced by Strober Organization, whose stock price fell by 12 percent to $5.50 per share. Standard Brands Paint, the California-based specialty retailer, declined by 9.85 percent to $14.88.

The gainers were few and the gains were modest. Wolohan Lumber increased by 2.44 percent to $21; Scotty's by 1.56 percent to $16.25; and Home Depot by 1.09 percent to $34.63.

On the manufacturer side, the same song was being sung. Nortek, the parent of Universal-Rundle and Dixieline Lumber, saw its shares decline in value by 10.77 percent—the biggest drop of the period for any of the companies tracked—to $7.25 per share. American Woodmark's stock continued to fall, this period by 9.59 percent to $8.25.

On the plus side, Waxman Industries, the plumbing and electricals distributor, increased by 6.33 percent—the biggest gain of the two weeks—to $10.50. Georgia-Pacific jumped 3.66 percent to $60.25; and Thomas Industries, the lighting supplier, grew by 2.56 percent to $20.



HOME CENTER MARKET SUMMARY

National Home Center News

Covering The Period 09/08/89 - 09/22/89

Company (Exchange)	Symbol	STOCK PRICE High	Low	Close	Change Amt	Change Pct	52-Week High	52-Week Low	VOLUME Total Volume This Period	% Shrs. Outstanding	Average Daily Vol. Last 52 Week	Average Daily Vol. This Period	EARNINGS/SHARE Last Fiscal Year	Latest 12 Months vs Preceding 12 Months Change Amt.	Latest 12 Months vs Preceding 12 Months Change Pct	5-Year Annual Growth Rate	Profit Margin	P/E Latest P/E Ratio	DIVIDENDS Indicated Dvd. Rate Amt.	Indicated Dvd. Rate Yield	Last X-Dvd. Date	FINANCIAL POSITION Last Fiscal Year Revenue	Last Fiscal Year Earnings	Current Ratio	Last Fiscal Year (Per Share) Long Term Debt	Last Fiscal Year (Per Share) Common Stock Equity	Last Balance Sheet Date
-	-	$	$	$	$	%	$	$	(100)	%	(100)	(100)	$	$	%	%	%	-	$	%	-	$ Mil	$ Mil	-	$	$	-
Retailers																											
Gen Bldg Prods (O)	GBLD	3.13	3.00	3.00	-.06	-2.04	5.25	2.75	30	.08	40	3	-.06	-.86 S	-100.0	NC	-.3	NE	.00	.0	00-00-00	79.3	-.2	4.6	5.48	4.01	1188
Grossman's Inc (O)	GROS	7.38	6.88	7.00	-.38	-5.08	9.75	4.88	19,395	7.42	2,187	1,940	.50	-.02 S	-3.7	NC	1.2	13.5	.00	.0	00-00-00	1141.6	13.2	1.8	6.15	3.88	1288
Hechinger A (O)	HECHA	16.13	15.75	16.13	.00	.00	19.63	15.75	6,120	2.99	1,024	612	NA	NA	NA	NA	NA	NA	.16	1.0	07-31-89	NA	NA	NA	NA	NA	NA
Hechinger B (O)	HECHB	16.25	15.63	15.88	-.50	-3.05	19.50	15.50	431	.29	63	43	1.30	-.05 S	-4.2	14	4.8	13.9	.06	.4	07-31-89	1019.4	48.8	3.9	4.95	10.14	0189
Home Depot (N)	HD	35.63	32.25	34.63	.38	1.09	35.88	17.25	18,284	2.41	2,163	1,828	1.00	.32 S	36.8	46	3.8	29.1	.12	.3	08-25-89	1999.5	76.8	1.7	1.45	5.16	0189
K mart Cp (N)	KM	42.38	39.38	39.88	-1.75	-4.20	44.88	33.75	58,233	2.92	6,550	5,823	4.00	.25 S	7.1	15	2.9	10.5	1.64	4.1	08-11-89	27301.0	803.0	2.0	14.78	25.13	0189
Lowe's Cos (N)	LOW	31.25	29.25	30.13	-1.00	-3.21	31.63	19.25	4,516	1.22	637	452	1.83	.21 S	12.1	3	2.7	15.5	.48	1.6	10-06-89	2516.9	69.2	2.0	5.12	15.80	0189
NHD Stores (O)	NHDI	7.75	7.50	7.50	-.25	-3.23	9.50	6.50	9	.07	25	1	.79	-.09 S	-13.4	9	1.9	12.9	.00	.0	09-16-86	51.4	1.0	2.1	4.07	7.14	0189
Natl Lumber (O)	NTLB	2.25	2.13	2.13	.00	.00	2.88	1.75	97	.17	40	10	-.82	-.77 S	NE	NC	-3.0	NE	.00	.0	00-00-00	152.0	-4.6	1.2	.21	2.86	0189
Scotty's Inc (N)	SHB	16.50	15.75	16.25	.25	1.56	16.63	10.50	202	.14	243	20	.76	-.50 N	-63.3	-21	2.0	56.0	.52	3.2	07-06-89	550.8	11.1	2.1	3.58	12.20	0688
Sears, Roebuck (N)	S	45.50	43.00	43.25	-2.13	-4.68	48.13	37.25	56,023	1.55	8,924	5,602	2.40	-1.26 S	-31.3	-7	1.8	15.7	2.00	4.6	08-22-89	50407.8	909.5	.0	26.15	37.75	1288
Std Brd Pnt (N)	SBP	16.75	14.63	14.88	-1.63	-9.85	19.38	11.75	1,058	1.85	350	106	.37	.64 S	NE	-27	1.2	29.2	.00	.0	08-11-87	304.4	3.7	2.8	28.85	6.65	0189
Strober Organiz (O)	STRB	5.75	5.50	5.50	-.75	-12.00	10.50	4.50	290	.48	59	29	.64	-.36 S	-48.6	6	2.8	14.5	.00	.0	00-00-00	140.4	3.9	1.7	1.09	4.93	1288
Wolohan Lumber (O)	WLHN	21.00	19.75	21.00	.50	2.44	27.00	14.75	1,589	2.70	210	159	1.92	.26 S	15.2	45	4.3	10.7	.28	1.3	08-28-89	257.8	11.2	2.6	4.79	9.02	1288
Wholesalers																											
Hughes Supply (N)	HUG	19.88	18.88	19.75	.25	1.28	21.88	16.50	1,149	2.41	67	115	1.99	-.09 S	-4.6	10	1.9	10.6	.36	1.8	07-31-89	501.9	9.7	3.0	15.72	18.88	0189
Moore-Handley (O)	MHCO	4.00	3.88	4.00	.13	3.23	4.75	3.75	621	2.71	16	62	-.17	-.20 S	NE	NC	-.5	NE	.20	5.0	10-03-88	99.7	-.5	2.0	3.18	5.98	1288
Manufacturers																											
Am Consum Prods (O)	ACPI	7.75	7.00	7.50	.00	.00	11.50	7.00	3,979	15.27	29	398	.70	.01 S	1.4	NC	2.3	10.3	.00	.0	06-08-88	78.6	1.8	4.3	7.33	5.40	1288
Am Woodmark (O)	AMWD	9.63	8.25	8.25	-.88	-9.59	13.75	8.25	1,092	1.45	52	109	1.00	.17 Q	22.1	NC	4.7	8.8	.00	.0	05-24-88	158.1	7.5	2.3	3.65	5.41	0469
Armstrng Wrld (N)	ACK	46.50	41.63	43.75	-2.88	-6.17	50.88	31.75	31,601	6.83	2,058	3,160	3.51	.02 S	.6	18	6.1	12.5	1.06	2.4	08-07-89	2680.3	162.7	1.2	4.02	21.73	1288
Black & Decker (N)	BDK	24.25	22.38	22.63	-1.50	-6.22	25.25	18.13	12,859	2.19	2,767	1,286	1.65	-.11 N	-7.3	4	4.3	16.2	.40	1.8	09-01-89	2280.9	97.1	1.7	4.73	12.38	0988
Boise Cascade (N)	BCC	45.88	43.50	43.75	-1.75	-3.85	48.00	39.25	13,246	3.26	1,522	1,325	6.34	1.41 S	26.9	40	7.1	6.5	1.40	3.2	09-11-89	4094.6	289.1	1.3	20.59	37.34	1288
Catalina Lghtg (A)	LTG	13.13	12.38	12.63	.00	.00	15.25	5.25	972	2.17	194	97	.41	.23 N	69.7	NC	4.1	22.5	.00	.0	00-00-00	26.9	1.1	1.6	.06	1.52	0988
Champ Intl (N)	CHA	34.63	33.13	33.63	-.63	-1.82	37.75	29.50	19,328	2.03	2,947	1,933	4.80	.89 S	22.0	NC	8.9	6.8	1.10	3.3	09-11-89	5128.5	456.4	1.4	20.00	35.05	1288
Clairson Intl (O)	CLIC	7.44	7.13	7.13	-.31	-4.20	7.50	2.75	581	1.14	196	58	-3.79	-4.34 F	-100.0	NC	-18.5	NE	.00	.0	00-00-00	104.2	-19.3	1.8	3.54	3.89	0987
Cooper Indus (N)	CBE	36.00	34.50	35.13	-.88	-2.43	37.88	25.13	15,803	1.55	2,128	1,580	2.21	.46 S	24.1	21	5.3	14.8	1.00	2.8	09-12-89	4258.3	224.4	1.7	11.54	17.47	1288
DeSoto Inc (N)	DSO	41.25	37.50	40.75	-.50	-1.21	52.50	32.25	3,060	7.63	409	308	.79	-2.16 S	-100.0	NC	.8	NE	.40	1.0	09-20-89	402.5	3.2	1.8	12.33	24.29	1288
Georgia Pacific (N)	GP	60.50	57.38	60.25	2.13	3.66	60.50	33.25	27,615	2.91	2,488	2,762	4.76	1.70 S	38.7	44	4.9	9.9	1.40	2.3	08-07-89	9509.0	467.0	1.9	26.51	27.79	1288
La Pacific (N)	LPX	41.00	39.13	40.13	-.88	-2.13	42.00	26.00	13,482	3.62	1,003	1,348	4.02	-.05 S	-1.2	41	8.5	9.8	1.00	2.5	08-08-89	1799.4	153.6	3.3	9.92	30.51	1288
Macmillan Bloedel (O)	MMBLF	17.13	16.50	16.50	-.75	-4.35	17.88	13.88	2,989	.29	585	299	2.58	.23 S	-9.3	NC	10.1	7.3	.80	4.8	08-07-89	2743.8	276.4	.0	NC	NC	0000
Manville Cp (N)	MVL	10.13	9.38	9.50	-.25	-2.56	10.13	6.38	3,478	.88	NC	348	.79	.79 F	NC	NC	4.7	12.0	.00	.0	00-00-00	2062.2	96.0	1.7	22.06	7.39	1288
Masco Corp (N)	MAS	27.88	26.25	26.50	-1.38	-4.93	31.13	23.63	59,260	3.80	3,214	5,926	2.10	-.05 S	-2.6	16	11.8	14.1	.52	2.0	10-16-89	2438.6	288.3	3.0	7.30	11.30	1288
Mor-Flo Inds (O)	MORF	5.75	5.75	5.75	.00	.00	7.75	5.00	0	.00	18	0	-1.11	2.74 S	NE	NC	-1.3	NE	.01	.2	12-09-88	218.0	-2.8	1.8	12.85	14.08	1288
Newell Co (N)	NWL	43.88	41.25	42.75	-.88	-2.01	46.50	22.38	5,670	1.93	566	567	2.18	.96 S	61.9	24	6.2	17.0	.88	2.1	08-09-89	988.2	61.4	1.7	6.56	11.19	1288
Nortek Inc (N)	NTK	8.25	7.13	7.25	-.88	-10.77	10.38	6.38	1,770	1.23	383	177	.90	.16 S	NE	NC	1.1	NE	.10	1.4	10-02-89	1224.2	13.2	2.9	38.65	16.34	1288
Owens Corn (N)	OCF	36.13	33.25	34.13	-1.75	-4.88	36.88	19.50	10,598	2.64	1,202	1,060	4.71	4.88 S	NC	NC	7.0	7.0	.00	.0	00-00-00	2831.0	197.0	1.2	32.73	-15.18	1288
Ply-Gem (A)	PGI	13.88	13.13	13.25	-.25	-1.85	15.00	11.38	1,545	1.44	223	155	1.41	.15 S	16.5	13	4.1	12.5	.12	.9	08-14-89	383.7	15.9	4.0	7.71	9.37	1288
Pope & Talbot (N)	POP	27.50	26.50	27.13	.63	2.36	29.75	16.13	1,870	1.59	264	187	2.68	.77 S	31.8	NC	6.2	8.5	.60	2.2	07-25-89	515.0	31.9	1.9	6.24	13.05	1288
Potlatch Cp (N)	PCH	35.63	33.50	34.63	-.75	-2.12	38.63	29.00	2,689	.93	366	269	4.04	.87 S	24.6	33	10.4	7.9	1.04	3.0	08-10-89	1084.1	112.4	2.4	13.66	24.97	1288
PPG Inds (N)	PPG	45.50	43.63	44.13	.00	.00	46.00	36.25	16,678	1.44	1,687	1,668	4.26	.35 S	9.0	17	8.3	10.4	1.52	3.4	08-04-89	5638.7	467.6	1.5	8.00	20.48	1288
Rep Gypsum (N)	RGC	4.88	4.63	4.63	-.13	-2.63	6.13	4.25	297	.29	64	30	.24	.04 F	20.0	-29	5.0	19.3	.20	4.3	08-25-89	48.1	2.4	3.4	1.09	3.16	0688
Sherwin-Wms (N)	SHW	34.00	32.50	32.75	-1.25	-3.68	35.75	24.86	4,612	1.07	1,040	461	2.30	.09 S	3.9	13	5.2	13.7	.70	2.1	08-21-89	1950.5	101.1	2.0	3.01	13.97	1288
Stanley Works (N)	SWK	38.50	36.00	36.75	-1.50	-3.92	39.25	24.25	7,519	1.76	974	752	2.40	.40 S	18.3	10	5.4	14.2	1.08	2.9	09-05-89	1909.0	103.5	2.7	7.93	16.31	1288
Thos Inds (N)	TII	20.00	19.13	20.00	.50	2.56	22.25	18.13	969	.95	102	97	1.62	.02 S	1.2	5	5.1	11.8	.72	3.6	08-28-89	347.6	17.7	2.7	.00	12.25	1288
Union Camp (N)	UCC	39.38	38.38	38.75	-.25	-.64	41.38	31.00	14,497	2.11	1,622	1,450	4.25	.97 S	26.9	19	11.1	8.5	1.48	3.8	08-28-89	2660.9	295.2	2.4	9.13	22.66	1288
USG (N)	USG	4.50	4.00	4.25	-.13	-2.86	7.63	4.00	9,017	1.67	1,468	902	2.38	-1.68 S	-61.5	NC	5.6	4.0	.00	.0	00-00-00	2248.0	125.5	1.0	44.18	-27.26	1288
Waxman Inds (N)	WAX	10.88	9.63	10.50	.63	6.33	10.88	7.00	1,130	1.23	271	113	.80	.09 F	12.7	17	3.0	13.1	.12	1.1	09-01-89	241.4	7.3	2.6	3.63	2.27	0688
Weyerhaeuser (N)	WY	31.38	29.75	29.88	-.38	-1.24	32.75	23.25	32,517	1.59	4,341	3,252	2.68	.41 S	16.7	27	5.6	10.4	1.20	4.0	07-24-89	10013.9	564.4	.0	16.55	19.86	1288

All Data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share

Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

Cilluffo wins control of Amdura

(Continued from page 5)
made before Cilluffo took charge, is not expected to be affected by Amdura's change in management, said company spokesman Scott Ross.

Battle of wills

What started as a corporate takeover battle between Amdura's management and Cilluffo, an investor and pension fund manager who owned 17.6 percent of the company's stock, turned into a battle of wills between the pursuer and the pursued.

Early last month, that tension was in full view, as Cilluffo accused Amdura's corporate board of incompetence and financial impropriety, while Amdura—mostly through its president Robert Nassau—attempted to mollify Cilluffo by offering him various olive leaves.

Cilluffo, though, was not dissuaded. Documents he filed with the Securities and Exchange Commission detail his animus towards Amdura's managers:

- He objected to a "special payment" of $875,750 distributed to three Amdura board members (including Nassau) and three other Amdura employees to defray expenses related to Amdura's headquarters move from St. Paul, Minn., to Denver. Cilluffo is demanding repayment of these monies, with interest, in a letter to Amdura's board sent Sept. 7.

While this payment was approved by Amdura's compensation committee, it was not disclosed to shareholders. Nassau defended the payment as ensuring "management continuity" by covering anticipated losses that may have been related to the quick sale of residences, for instance;

- Cilluffo complained about a sale of batteries to Amdura by Mixon, Inc., a company owned by Amdura board member Gordon Mixon, because Mixon could only estimate the worth of the sale at "between approximately $200,000 and $300,000."
- Perhaps his biggest complaint was over the $40 million bridge loan Amdura negotiated with Continental Illinois that was due June 29. The loan couldn't be refinanced, but the bank granted an extension until Sept. 27, though it included a 1 percent increase on the borrowing interest rate.

That loan, though, was extended again until Oct. 6 by Continental Bank to give Amdura's new management time to work out a longer-term arrangement with the lender.

Continental's decision to extend leniency could be viewed as a vote of confidence in Amdura's new management, although at least one analyst—Skip Maples of Piper Jaffray & Hopwood in Minneapolis—contends it's still not all that certain the bank will ultimately renegotiate the debt.

No money for defense

That loan was connected to the debt Amdura incurred as a result of its December 1988 acquisition of CoastAmerica. Strapped for cash, the company was never in any condition to thwart the takeover assault launched by Cilluffo.

So confident in his efforts was Cilluffo that he rejected Nassau's Aug. 29 offer of two additional board seats, with the stipulation that Cilluffo observe a "standstill" on his takeover until Amdura's 1991 annual shareholders meeting.

Calling this "boardmail," Cilluffo demanded that the board be replaced completely. His replacements, though, are short on knowledge about the hardlines industry except for James Watson, who was once president of the hardlines division of the Gamble-Skogmo wholesaling company.

John J. Cardwell, a Cilluffo-appointed board member, has been named Amdura's chairman and interim president and ceo.

Cilluffo's complaints notwithstanding, the management and board he kicked out had devised a strategy that, until recently, appeared to be working.

The company, whose hoist and derrick businesses were foundering, had posted earnings losses for five years, including a $70 million deficit in 1986, and it hadn't paid a dividend since 1982. Those businesses were divested for their book value in 1987, as the company placed greater emphasis on hardlines wholesaling.

But after two profitable years, Amdura posted operating losses in the first six months of 1989, a result of its Coast acquisition and its attempts to integrate Coast's and FOK's store programs. Before he was deposed, Nassau continued to believe the changes he had made at Amdura would become profitable by the end of 1990.

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Hikes in insurance costs swallow dealers' profits

By Tim O'Malley

NATIONAL REPORT — Charlie White still regrets having to tell his 11 employees last spring that skyrocketing premiums had forced him to cancel the company's health insurance coverage.

"We had to give it up," said White, manager of Parker's True Value hardware store in Merced, Calif., which was hit with a 25 percent increase on monthly premiums of $50 to $100 per employee for basic coverage. "The rates were just out of sight."

Prets Lumber in Galveston, Texas, has been shopping around for an insurance plan for its 13 employees. But "I can't even come near them," said Richard Prets, citing a $211 monthly tab, with $500 deductible, for a three-member family plan.

Parker and Prets aren't alone in their frustration. Independent home improvement dealers throughout the nation are finding insurance companies far more restrictive when it comes to underwriting corporate policies, and far more expensive in providing coverage.

Rising health insurance rates have become a major dilemma for American companies, particularly those with fewer than 25 employees. Smaller companies, lacking a broad pool for economies of scale, may see their premiums rise dramatically with only a few large-dollar claims.

Larger companies aren't immune, either. Lowe's, the North Wilkesboro, N.C., chain with 13,000 employees, is absorbing a 10 percent rate increase from Provident Life Insurance, which processes claims for the retailer.

Lowe's has a self-funded program, meaning it pays claims from its own revenues. Those revenues will be drained by 21 percent more than last year because of higher health care costs, said vp-human resources Jim Parks. He said this cost will either be passed on to employees, who now pay half their own premiums, or offset by greater restrictions on the plan.

"Sometimes you get the feeling that health care is out of control," said Parks.

25% increases the norm

On average, health insurance premiums are up 20-30 percent this year, from a 15-25 percent hike in 1988. Surveys by insurance trade organizations indicate that growing health care costs and malpractice insurance are primarily responsible.

With no end in sight, firms are either canceling policies, asking employees to shoulder

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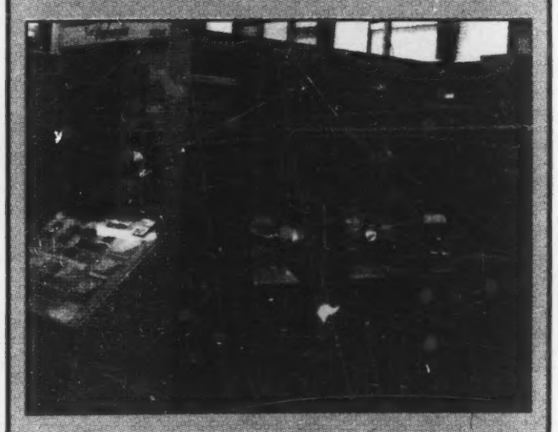

Dealers fine tune window treatment offering 33

Retailers wonder if new radon findings will produce homeowner run on test kits

By Richard Schenkel
Special to NHCN

NATIONAL REPORT — On the 18th of this month, the Environmental Protection Agency in Washington was scheduled to disclose that homes in eight more states were found to have unacceptably high radon gas levels.

One of those states is Georgia. And in anticipation of that news, the Atlanta-based Home Depot worked with local media and health groups and a leading radon kit supplier to launch a public service blitz aimed at alerting local residents of health dangers.

A few weeks earlier, the Department of Environmental Protection in New Jersey identified radon as the state's "most serious environmental health threat." It cited "dangerous" levels of radon gas that were found in one-third of all homes in the Garden State, and warned that three out of every 1,000 residents can expect to contract radon-related lung cancer.

However, while the EPA got over 400 calls in four hours about the report, that anxiety did not spill over into retail sales of radon-testing kits.

"Demand has been increasing in the last three weeks, but it always does in the wintertime because people stay indoors more," said a spokesperson for Rickel Home Centers, the 52-unit chain in South Plainfield, N.J.

He added that he was about to make his first purchase of the testing kits in over six months, buying both the 3-day kits that retail for $9.99 and 90-day kits selling for $19.99.

Erratic kit sales

Radon testing kits became home improvement centers' latest hot item after the EPA reported in September 1988 that nearly one in three houses sampled in seven states had radon gas readings equal to or greater than the accepted level of 4 picocuries per liter of air.

This month, EPA will again raise the specter of risk when, according to sources familiar with its latest study, it

(Continued on page 4)

Warehouses to propel Hechinger in 1990

By Elizabeth Brent

VIRGINIA BEACH, Va. — Home Quarters Warehouse's new unit in Norwood, Mass., will double as a district office for training and rebuying, and serve as a "host" store for other HQs in the Boston area when it opens in early 1990.

The warehouse format will also be the engine that powers the 1990 expansion of Hechinger, HQ's parent company.

The Landover, Md.-based Hechinger said early this month that it will more than triple the size of its warehouse division during the next three years with the addition of 30 units by 1992.

Next year 14 of its 18 new stores will be HQ warehouses, compared with only four out of the 18 new stores that Hechinger will have opened this year.

"We have a powerful growth vehicle in Home Quarters," said John Hechinger Jr., president of Hechinger, in a prepared statement. "In fact, we believe HQ will prove to be the fastest-growing warehouse operation in the home center industry."

One store serves many

Frank Doczi, HQ's president and ceo, told *NHCN* that the host store concept, where

(Continued on page 54)

Industry helps Southeast rebuild after Hugo See page 49

EDITORIAL

Stereotypes obscure the true customer

The issues facing women in the industry are the subject of our Perspectives cover story in this issue.

Someday, the sooner the better, this won't be a story. But today, the presence of women in influential positions is a recent phenomenon, and residual myths that remain inhibit their growth and, therefore, everyone else's.

Ken Schept
NHCN Editor

One of the consequences of this situation is a chronic misperception of customers, both men and women, which can be costly.

MYTH: "A woman's place is in the home decor department."

Entire merchandising strategies have been built on the proposition that fashion is for women only.

REALITY: An interest in color and design is not specific to one sex. Neither is it feminine nor masculine to like working with tools.

CONSEQUENCES: Basing a strategy on old stereotypes is a good way to fail. You can't sell the customer if you don't see the customer.

I remember being in a class of neophyte retail journalists when a veteran editor expanded on differences between male and female shoppers.

"A female shopper likes to shop," he said. "She'll go from store to store and compare prices and merchandise. A guy doesn't want to be bothered. He wants a blue oxford button down and he wants to get out of there as quickly as possible."

I found myself staring at the way this mentor was dressed and thinking, hostilely, that he must have picked up most of his expertise at K mart.

The man knew a lot more than we younger know-it-alls. But the fact remains—he was stuck in time. And the place he was stuck is still crowded with a lot of experts from this industry.

EXAMPLE: How many times have you heard executives say they want their stores to appeal to female shoppers?

"We're going to create an attractive shopping environment," they say.

Clean stores. That's always the answer, as if adults shopping act like some believe kids behave in a playground.

People want honest prices and value and they'd like to find it in a store where they don't have to have their clothes dry-cleaned after shopping. This assertion applies equally to men and women.

EXAMPLE: How many times have you heard an executive describe a home improvement need—roof repair, for example—as a "honey-do" project?

Come Sunday afternoon, in other words, the wife orders the husband out to the home center.

Maybe it's raining. The roof is leaking. But without his wife's prodding, the husband will risk drowning rather than move off the couch while the Bears are threatening from inside the five.

This is a valid view of the world if Blondie and Dagwood are its only customers. Yet it's still a prevalent view.

These misperceptions are unfortunate. Since they caricature both men and women, they diminish both. The chances for success of sales efforts based on these views are limited by their inaccuracy. More women working in the industry should help correct these distortions.

—Ken Schept

COMMENTARY

The 'why' behind inequality unanswered

In between semesters of college and graduate school, I worked as a keypunch operator for Johnson & Johnson and Supermarkets General in New Jersey and John Hancock Life Insurance in Boston. At each job, I was the only male employee in my section.

John Caulfield
NHCN Executive Editor

It was always a little strange at first, coming into a room full of people who viewed me, no doubt, with a mixture of curiosity, bewilderment, suspicion or without any interest at all. Over those summer stints, there were some women with whom I never exchanged a single word.

Many of them were friendly, though, and I even dated a few. But my most vivid recollection about the experience was how unremarkable it all was. Without any vested interest in long-range career opportunities, I came to work, did my job and went home. Two were night shifts, so occasionally I'd go out after work for a drink or something to eat with a few of the women, but that was unusual.

I interacted. I wasn't shut out. But I was alone.

Many of the women quoted in this week's Perspectives cover story on their progress in the home improvement industry say they, too, remain isolated. The larger question is why?

The relationship between men and women in the workplace is a little like electricity—it works, but very few people understand how. And like electricity, sparks occasionally fly when the system malfunctions.

That working women still feel they are second-class citizens, though, is stating the obvious, and merely reflects the distance that separates the two genders throughout society in general.

What's frustrating is that serious discussion of this situation—as it pertains to sexuality, equal opportunity, careerism—and possible solutions is relegated to 15-minute segments on Donahue or Oprah, or reduced to exercises in point-scoring among various special interest groups. It's very tiresome and serves little purpose to hear some women promote their own cause by stereotyping men with whom they work as deficient or reactionary, which is about the level of discourse one is exposed to these days.

Conversely, the identification of women by men as being suited for only some jobs and not others simply perpetuates a myth that not only has little basis in fact, but whose evidence to the contrary is on full display in every walk of life every day.

The barriers blocking advancement for women do appear to be breaking down, as the work force changes and women are called upon to assume far greater responsibilities than before. In the home improvement industry, more women now hold high-level positions in nearly all disciplines.

However, creeping into all this is the notion that "equality" negates differences; that a level playing field at work is achievable only when there's a kind of gender blindness practiced.

But women *are* different from men, something that neither rewritten statutes nor corporate policies can alter. It behooves the industry, then, to tailor jobs to take advantage of those differences women say they can bring to a company, instead of trying to drain every drop of gender from a job description.

It's not bias when an employer recognizes a capable women as an individual, too.

—John Caulfield

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Employees pay more for coverage

(Continued from page 1)

more of the cost, or seeking alternatives to conventional arrangements.

One alternative is so-called multiple-employer trusts, in which several businesses buy insurance as a block and benefit from volume discounts. Under some arrangements, premiums are assigned on a sliding scale, based on the sales performance of an individual company.

One such trust, Insurance Management Services, a former subsidiary of the building materials buying group BMA, buys insurance for 50 lumber/home improvement retailers with Travelers Insurance Co. On average, said IMS benefits director Harold Leatherman, those businesses are paying rates 35 percent higher than last year, although some who had poor sales years were charged less.

Donald White, media relations manager for the Health Insurance Association of America (HIAA), a trade group, warns that trusts can be risky. "Some pay claims out of a pool of premiums, without any backing from insurance companies. The trust can go bankrupt," he said.

Another way dealers are lowering costs is by cutting coverage. Ernst Home & Nursery, the Seattle-based, 73-store chain, this year began covering 80 percent of hospitalization costs instead of the full tab. This one step, said vp-human resources Susan McNab, will save the company tens of thousands of dollars.

Ernst's self-funded program is paying out 30 percent more this year due to increased health costs. Employees pay $8 for individual coverage and $25 for family coverage each month. McNab said rather than increase those charges, Ernst decided to institute cost-saving measures. One new policy requires a second opinion before surgeries are performed.

If health care costs continue to rise, McNab said employees will be asked to contribute more, perhaps as early as next year. "We spend millions each year on this one issue [health care]," she said.

The self-funding option was also selected recently by the 30-store T. H. Rogers Lumber. The Oklahoma City-based chain canceled its 62-year-old policy with Equitable after the underwriter asked for a 39 percent rate increase.

Said T. H. Rogers general manager Bill Payne, "We decided it would be cheaper to fund it on our own, administratively and all." He said the company saved $100,000 in the process.

Three options or last resort?

Companies unable to bear the expense of self funding have three options: health maintenance organizations (HMOs), preferred provider organizations (PPOs) or traditional indemnity plans. The latter, under which a contract is entered with an insurer, can be either managed or unmanaged fee-for-service types.

White of HIAA said managed plans, where the insured is required to get approval from the underwriter for non-emergency procedures, are gaining in popularity with employers because they invariably result in lower fees. About 43 percent of all health insurance is now managed; 28 percent is unmanaged and 29 percent are either HMOs or PPOs.

HMOs and PPOs, also gaining in popularity, charge employers a flat rate regardless of how much health care is provided. These keep costs down by assigning the insured to doctors who are part of a network. And, said White, "they are very successful at keeping people out of the hospital. That's the big-ticket item when it comes to costs."

Federal law requires employers with more than 25 workers to offer an HMO as an option. But for some businesses, like Everglades Lumber, with two stores in Miami, the HMO is a last resort

Everglades' HMO, which costs each of its 300 employees $50 a month, was settled on after two prospective insurers refused to write the company a policy, said owner Osvaldo Vento, Jr. He said they declined for the same reason the company's original insurer refused—too many claims were being filed.

Some owners are using cash remuneration as a substitute for a less popular plan, or no plan at all.

When it canceled its policy with Prudential, for example, Parker's, the California dealer, decided to pass on the existing value of each employee's premium to the individual, to help defray whatever insurance they may obtain on their own.

Another owner, faced with a 31 percent premium increase, is using money to lure employees off his indemnity plan. Stephen Lumb, owner of George W. Pratt & Sons, a three-store chain based in Highland, N.Y., promises half a monthly premium to any employee who takes coverage from some outside plan, including a spouse's. So far, only four of his 55 employees have accepted the offer.

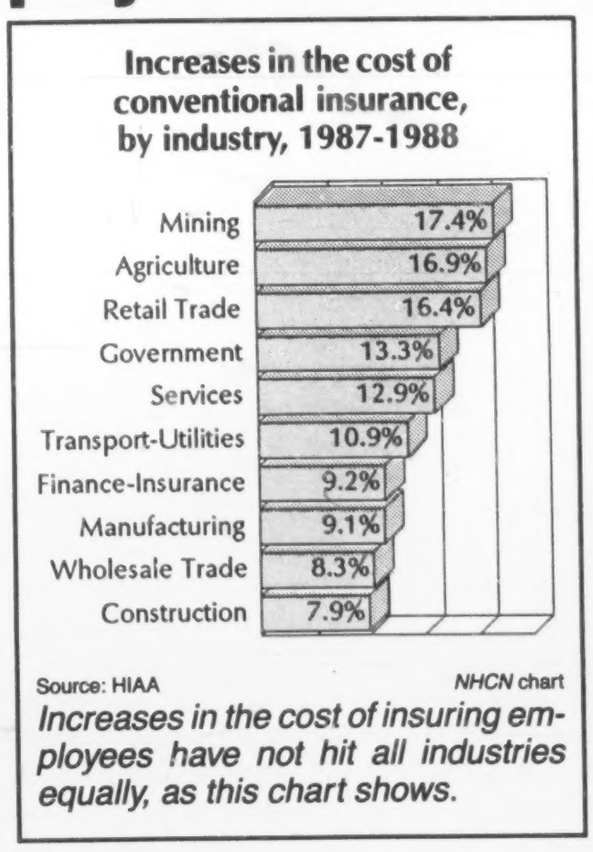
"There's a perception problem," said Lumb. "People think two plans are better than one."

Competitive costs foreseen

White of HIAA offers what may be a more lasting alternative. He says managed plans, as they gain in popularity, will encourage competitive pricing among health practitioners, thus controlling costs.

As with car repairs or groceries, said White, people will slowly be encouraged to question the fees of a doctor or a procedure, and compare those prices with others.

"Managed plans are an attempt to add more discipline to the system," he said. "Right now things are in sad shape and getting worse."



Increases in the cost of insuring employees have not hit all industries equally, as this chart shows.

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AHMA opens 2nd Cologne show pavilion

By an NHCN staff editor

NEW YORK — The American Hardware Manufacturers Association (AHMA) will operate a second exhibitor pavilion at the International Hardware Fair, which is scheduled to take place March 4-7, 1990 in Cologne.

It will be the ninth year of Cologne fair participation by the AHMA, whose pavilion program provides small- and medium-sized U.S. manufacturers with economical, turnkey entry to the largest international trade show.

Last year 50 U.S. suppliers participated in the AHMA program, but others were turned away because of a space shortage. The new pavilion solves that problem.

Also, because the Cologne show is organized according to product category, the added AHMA pavilion increases the possibility that participating manufacturers will be positioned adjacent to related merchandise.

Exhibition space at Cologne is divided into three merchandise classifications: tools, locks and fittings, and building and DIY supplies, which together occupy 1.6 million square feet.

The AHMA will again have a pavilion in the Tool Center; its new pavilion will be in the Locks and Fittings Center.

A total of 65 U.S. firms are expected to participate in the AHMA Cologne program next year. Another 40 U.S. manufacturers will attend the show on their own, making the U.S. number four in the number of companies exhibiting at the show, after Germany, Italy and France.

Plans for the new pavilion were announced earlier this month by Hans Wilke, executive director of Koln Messe, the Cologne exhibition center, during a U.S. tour promoting the Hardware Fair.

The AHMA is exploring the possibility of introducing pavilion programs at other international shows to support exporting efforts of members.

Shows being considered for 1990 include the Japan DIY Show in September, the January International Hardware and Housewares Show in Birmingham, England, and the Hardware/Housewares Show of the Caribbean in Puerto Rico, which takes place in February.

AHMA officials said that tight deadlines makes it less likely that the associations will have pavilions in England and Puerto Rico next year.

Wyeth goes into Chap. 7, forced to liquidate assets

By an NHCN staff editor

KANSAS CITY, Mo. — A federal bankruptcy judge has converted the reorganization plan of the wholesaler Wyeth Co. and its affiliates from Chapter 11 protection to a Chapter 7 liquidation.

Because Wyeth failed to find a white-knight buyer by the end of August, Chief Bankruptcy Judge Frank W. Koger in Kansas City, Mo., assigned a trustee to liquidate the St. Joseph, Mo., company's assets.

In early October, Max Wyeth, president of the firm, said a feasibility study showed the company could return as an entity owned by its employees if financing were secured. Until that time, Wyeth said: "The court is allowing us to operate in a mode to sell inventory in a normal way."

The trustee, Bruce Strauss of Kansas City, said the sale of inventory was being accomplished through a Wyeth-owned retail store in St. Joseph.

Weyerhaeuser to sell plant

By an NHCN staff editor

TACOMA, Wash. — Citing a decline in demand for engineered lumber from the commercial sector, Weyerhaeuser will sell its three-year-old wood I-beam plant in Albuquerque, N.M. A Weyerhaeuser spokesperson said the company will still supply engineered products under a private-label agreement with another manufacturer.

If the plant isn't sold, the forest products company plans to close it on Dec. 1.

Karen Sullivan, a spokeswoman for Weyerhaeuser's Engineered Products Division, added that the Albuquerque plant was built to service the commercial building market in Arizona and New Mexico. When Weyerhaeuser changed its product line emphasis to residential 2½ years ago, it was determined the mill could not downsize its product economically.

She said Weyerhaeuser still makes laminated lumber beams but its laminated veneer lumber (LVL) and engineered wood joists and beams are made by the Microlam Co.

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NuWay unloads unprofitable properties

(Continued from page 2)

cost). Last year it added "Gold Service" deliveries to two-thirds of the areas it serves, either sent by common carrier or UPS, said Cohen, the company's president.

In May, Cohen identified Baltimore, Omaha and Miami as the "Gold Service" markets (*NHCN*, May 22). A month earlier, NuWay announced it would close its 20,000-square-foot distribution center in Denver in favor of a larger site in Omaha.

Yet competitors in all markets speculated NuWay's cash-and-carry business was so geared to being a fill-in or secondary supplier, in an area dominated by long-time program and cooperative wholesalers, that NuWay could no longer justify its presence in those markets.

With its DC closings, NuWay now operates facilities in Alexandria, Va.; Bellmawr and Moonachie, N.J.; West Coastville, Pa.; Utica, Buffalo and Schenectady, N.Y.; Miami; Atlanta and Baltimore.

It could not be determined out of which DC NuWay is servicing Midwestern dealers in such states as Minnesota, North and South Dakota and Iowa, where it has been licensed to franchise the Pro Hardware name.

Gary Cosgrave, Pro's chairman and ceo, said there were no Pro accounts signed in those areas since NuWay received the franchise last December.

Hechinger to triple warehouse division

(Continued from page 1)

merchandise is broken from bulk and distributed to other stores, is part of the chain's new strategy to propel its growth in large metropolitan areas.

Aside from the 15 stores it has planned for the Boston area, HQ will open three units in the new market of Birmingham, Ala., and also in Montgomery, Ala. Other targeted markets will be "primarily" in southeast and central U.S.

Norwood not only marks the onslaught of Hechinger's expansion into New England, but also a shift in its expansion focus, as Hechinger gives its warehouse division the task of penetrating new markets and bolstering profits.

In order to sustain its growth plans this year and next, Home Quarters is seeking sites in shopping centers, on the edge of malls and in freestanding locations. Its warehouse stores range from 85,000 to 100,000 square feet, depending on the size of the market, with an additional 30,000 square feet of outdoor space.

Although HQ opened in two converted Bradlees units this year in Norfolk, Va., and Durham, N.C., none of the new 30 units will be Bradlees conversions, according to Doczi. The Bradlees units will be used primarily as new Hechinger locations.

As Home Quarters steps up its expansion drive, it will add a new head of training and organize training sessions in its district offices.

The HQ stores slated to open in 1990 will "have new merchandising and product assortments, with more emphasis on project selling," said Doczi, who declined to be more specific about these changes right now.

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